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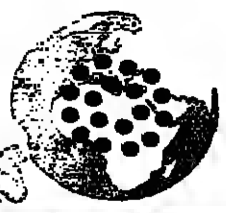
FINANCIAL TIMES



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World Business Newspaper — MONDAY NOVEMBER 13 1995 — D8523A

Crisis over US budget deepens

Dole urges talks to avert government shutdown

By Jurek Martin in Washington

Republican leaders in the US Congress yesterday demanded that President Bill Clinton engage in immediate negotiations to prevent a partial shutdown of the federal government at midnight tonight.

Senator Bob Dole, the majority leader, and Congressman Newt Gingrich, the House speaker, both said during television interviews that Mr Clinton should cancel his trip to Japan, due to start on Thursday, if he carries out his threat and vetoes Republican bills on temporary funding and the debt ceiling today.

"I don't see how he can go to Japan because, frankly, the government will be closed," Mr Gingrich said. Mr Dole added that the trip, mainly to attend the summit of the Asia Pacific Economic Co-operation forum in Osaka, was "very important, but ha has no choice if we don't have an agreement". The White House insisted the visit was still on, but might have to be curtailed.

The Dole and Gingrich comments brought a weekend of rising acrimony to a higher pitch and followed the failure of the sides to engage in direct negotiations. Mr Clinton proposed sending Mr Leon Panetta, his White House chief of staff, to talks on *Capitol Hill on Saturday, but* Mr Dole and Mr Gingrich objected because the president wanted *other senior congressional Democrats* present.

The two talked to Mr Clinton briefly on the telephone on Saturday afternoon but, Mr Gingrich complained, the president "hung up on us" and failed to return a call as promised. "Principals ought to talk to principals," Mr Dole said yesterday.

Mr Clinton objects to the two bills because of a series of extraneous conditions attached to them, and to the demand that he commit himself, in principle, to the Republican goal of a balanced budget within seven years.

Mr Panetta, also interviewed yesterday, said: "This is not just a political game going on here, because there are very important issues affecting the whole direction of the country." He said Mr Gingrich had laid out plans for "a titanic legislative stand-off" last April and was now deliberately engineering it.

Mr Clinton used his regular Saturday radio broadcast to accuse the Republicans of trying "to force us to accept extreme budget measures that would violate our basic valnes as a nation and undermina tha long-term welfare of the American peopla".

The White House took specific exception to one Republican rider *increasing patient premiums for* Medicare, the federal bealth insurance programme for the alderly. Mr Dole said it was wrong to shut down the government over "one little provision", hnt Mrs Alice Rivlin, the hudget director, said the amandment was unacceptable and symptomatic of the Republican determination "to precipitate a crisis".

Without a last-minute compromise, Mr Clinton will today veto first the bill increasing and extending the $4,900bn debt ceiling until December 12 because it contains clauses that would prevent the Treasury from taking special measures to avoid a default that could occur as early as Wednesday. Then he will veto tha temporary government spending authority, lasting until December 1, that Congress is due to *vote on tonight unless it is* stripped of its many conditions.

Battle to see who blinks over US budget spending, Page 4

UK refuses to rule out oil sanctions ■ Aid for development to be frozen

Britain plans to tighten Nigerian arms ban

By Michael Holman in Auckland *and Caroline Southey in Brussels*

Nigeria's military regime was hit by further punitive measures yesterday following its execution on Friday of nine minority rights activists.

After the suspension of Nigerian membership of the Commonwealth on Saturday, Mr John Major announced that Britain intended to tighten its existing arms embargo. The UK prime minister added to the pressure on General Sani Abacha, Nigeria's leader, by refusing to rule out oil and other sanctions, though stressing it would require a "quite protracted timetable" and wide-ranging consultation.

The European Commission said it was suspending development aid. The measure would include freezing the Ecu594m ($778m) allocated to Nigeria in 1991-95, little *of which* has been disbursed.

Mr Joao de Deus Pinheiro, commissioner responsible for Africa, said the *Commission would* propose that the EU's council of ministers tighten existing sanctions against Nigeria, imposed in June 1993 following a presidential election annulled by the military regime. It wants an EU-wide arms embargo in place of the early measure under which applications for new export licences for defence equipment had to be reviewed "case by case, with a *presumption of denial*".

Commonwealth leaders reinforced their commitment to democracy, introducing measures to deal with autocratic regimes, including expulsion from membership and trade sanctions. The initiative was described by Mr Jim Bolger, New Zealand prime minister and chairman of the organisation's Auckland summit, as marking a "new era" for the 53-nation *Commonwealth*.

The Nigerian regime outraged leaders at the biennial summit by hanging the author *Mr* Ken Saro-Wiwa and eight other activists despite international appeals for clemency.

The Commonwealth plan includes the establishment of an eight-member ministerial "action group" which will be convened "to deal with serious or persistent *violations*" of the principles of democracy and human rights set out in a Commonwealth communiqué in Harare in 1991.

A central element of the plan

Continued on Page 20
Commonwealth challenge, Page 18; Lex, Page 20

Respect for the war dead: (from left) South African president Nelson Mandela, Australian prime minister Paul Keating, Pakistani president Farooq Leghari and New Zealand's prime minister Jim Bolger stand in remembrance at Arrowtown War Memorial, Auckland Picture: Reuter

Nuclear anger fuels fears that Beaujolais will bomb

By Our Foreign and Consumer Industries Staff

This week's party for Beaujolais Nonvean may be a very flat affair.

Economic uncertainty and opposition to French nnclear testing are threatening to dampen the hype that nsnally accompanies the launch of the vintage, and sales could suffer.

In Japan, a prime market, custom officials at Tokyo's Narita airport expect abont 320 kilo litres of nouvean to be imported this year. This is 40 per cent down on 1994 and less than a sixth of the Beaujolais Nouvean that flowed into Japan during the late 1980s.

The fad for nonvean hlossomed in Japan just as it was opening its markets to foreign prodncts. Japanese fondness for the first prodnce of tbe season also belped sales. Beaujolais Nouveau parties were held aronnd Tokyo, with fashionable restaurants serving it at Y2,000 ($20) a glass.

Meidi-ya, a food and wine distributor, had boped that last year would see the bottom of the droop in demand. But it has been foiled by France's nuclear testing in the South Pacific. "Most retailers are nervons about the tests," said an official. Mitsukoshi, a department store chain, *said it would not promote* Beaujolais this year and was treating it like any other wine on sale.

In France, the Beaujolais harvest seems to have gone normally, and the vintage which goes on sale on Thursday is described as a good one.

Mr Michel Deflache, assistant director of the Union Interprofessiomelle des Vins dn Beaujolais, *the local wine prodncers'* association, said rednced demand in Japan would be conntered in *growth markets elsewhere*.

The strongest pressure to boycott French wine has arisen in the Netherlands, Mr Deflache said, where there had been a "hysterical" press campaign and threats to wine merchants.

The Liquor Control Board of Ontario, the western world's higgest alcohol retailer, has slashed its Beaujolais Nonvean order by

Continued on Page 20

Executives urge end to obstacles in EU trade with US

Top industry executives from both sides of the Atlantic issued a plea for the elimination of remaining obstacles to trade and investment between the US and the European Union. About 100 business leaders meeting in Seville called for "all possible measures" to liberalise trade, including some agreements as soon as next year. Page 20; Background, Page 2

Serbs accept Slavonia plan: Hopes of a comprehensive negotiated settlement in former Yugoslavia rose after Serb leaders in eastern Slavonia accepted a plan to return the area to Croatian authority. Page 3

France backs Emu penalties: France agreed with Germany oo the need for penalties to enforce budgetary discipline among countries belonging to the planned European monetary union, French finance minister Jean Arthuis said. Page 20

Brussels to revive media ownership plans: Controversial plans to harmonise media ownership rules in the European Union are to be revived by the Commission. Page 20

$4bn UK aircraft order in doubt: A potential $4bn export order for UK fighter aircraft to the United Arab Emirates may be threatened because the UK Foreign Office has failed to agree a defence pact between Britain and the UAE. Page 8

Sime Darby buys control of UMBC: Malaysian conglomerate Sime Darby is to pay M$1.3bn ($520m) for a controlling interest in United Malayan Banking Corporation, the country's fourth largest bank in terms of assets. Page 23

Murdoch buys Carolco Pictures: Troubled US udepeodent film maker Carolco Pictures was bought by Twentieth Century Fox, Rupert Murdoch's film and television production subsidiary, for about $50m. Page 21

Seoul businessmen face bribery charges: Up to 10 leading South Korean businessmen may be prosecuted for allegedly giving kickbacks on state contracts to former President Roh Tae-woo and aiding him in laundering funds. Page 6

Russian party leader warns on poll delay: Delay in holding parliamentary and presidential elections in Russia would deal a devastating hlow *to hopes of building democracy, Grigory Yavlinsky*, leader of the largest pro-democracy party, warned. Page 2

Major rejects Irish call on terrorist arms: UK prime minister John Major dismissed a call *from John Bruton, his Irish counterpart, for a com*promise over "decommissioning" of weapons held by paramilitary organisations in Northern Ireland. Page 3

Mack lifts market share: Mack Trucks, US *subsidiary of France's state-controlled Renault* group, expects to raise its market share for the third year running, accelerating its return to profitability. Page 23

Moscow to clean up banking sector: Russia's central bank is to *crack down on criminal* banks and strengthen its regulatory armoury as part of a drive to bolster the integrity of the country's financial sector. Page 3

Israelis rally for peace: An estimated 250,000 people rallied in Tel Aviv to back Arab-Israeli peace and show their respect for assassinated prime minister Yitzhak Rabin. Page 4

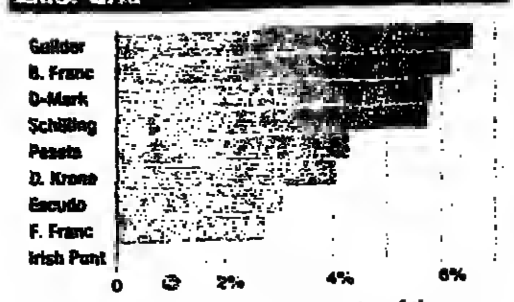
Caradon plans shake-up: UK building materials group Caradon is mounting a management shake-up and a cost-cutting programme to revive its weakened performance. The group is expected to make an exceptional restructuring provision of up to £25m ($39.5m) and to shed several bundred jobs. Page 21

Former Beirut hostage dies: Former Beirut hostage Jack Mann died at his home in Cyprus. He was 81. He was held by Moslem militants for 2½ years from May 1989.

Hill wins Adelaide grand prix: British driver Damon Hill won the Australian grand prix in Adelaide in a Williams-Renault. German Michael Schumacher, who has already won the world championship, retired after a collision.

European Monetary System: The spread between strongest and weakest currencies in the EMS grid widened by about 1 percentage point last week, but there was no change to the order of currencies. A French cabinet reshuffle prompted a rally in the franc. This allowed the Bank of France to reopen the 5-10 day lending window, which had been closed for a month, at 6.35 per cent.
Currencies, Page 31

EMS: Grid November 10, 1995



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lev110.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	Sk60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	Kc55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	Kr20	Jordan	JD1.50	Poland	Zl 4.20	Syria	S£50.00
Finland	FM15	Kuwait	Fils625	Portugal (mainland)	Es230	Tunisia	Din1.500
France	FFr11.00	Lebanon	US$1.50			Turkey	L60,000
Germany	DM3.80	Lux	[illegible]			UAE	Dh12.00

China may allow currency convertibility next year

By Tony Walker and Peter Montagnon in Beijing

China plans to allow convertibility of its currency on the current account well ahead of a previous 2000 deadline, and possibly as soon as next year. This would represent a substantial step towards integrating China's economy into the international system.

Mr Zhn Rongji, the powerful executive vice-premier in charge of the economy, declined to provide a specific date but, in an interview, said the country would "be able to fulfil the timetable well ahead of schedule".

Western officials in Beijing said they had been told China planned an important announcement about trade liberalisation at the forthcoming meeting of the Asia and Pacific Economic Co-operation forum (Apec) to be held in Osaka this week.

Ms Wu Yi, China's trade minister, is due to outline a package of reforms at the Apec ministerial talks. This may include a commitment on convertibility of the renminbi in 1996.

China's decision to bring forward currency convertibility has been belped by a strong build-up in its foreign exchange reserves, which reached $72.9bn at the end of October – a fourfold increase in two years.

In Beijing, an International Monetary Fund official said a decision to allow convertibility on the current account would represent a "strong statement" of commitment to further reform. It would also push the renminbi towards becoming a "hard" currency, tradable internationally.

Convertibility on the current account would streamline access for enterprises operating in China to funds for imports and other purposes such as business travel. It would also facilitate the repatriation of profits for foreign invested companies.

Mr Zhn's remarks represented the most comprehensive and authoritative outline of plans for the Chinese economy given to a Western publication in the past *few years*. China would:

- "continue properly to tighten credit" with the aim of reducing inflation to 5 per cent during the ninth five-year plan (1996-2000). Growth would be targeted at 8 per cent;
- try to "wipe out" its budget deficit by 2000:
- "spend more time and energy" *next year on state-owned enterprise reform;*
- complete commercialisation of the banks by 2000 to bring them in line with international practice;
- begin to phase out preferential tax policies for foreign-funded enterprises, while respecting existing commitments;
- press ahead more vigorously with tariff reform in line with the aim of becoming a member of the World Trade Organisation.

Mr Zhu claimed "great success" for an austerity programme introduced in July 1993, and said efforts to bring down inflation while maintaining a relatively high level of growth would not slacken. "The soft landing is not complete yet," he said.

He said preferential policies for foreign investors in China's five special economic zones and the Pudong area of Shanghai "should be hasically unchanged". But he also gave notice of a sweeping overhaul of tax exemptions as part of moves toward national treatment for both Chinese and foreign-funded enterprises.

Blueprint for reform, Page 19
China's socialist market economy, Page 24

CONTENTS

Banks appeal for clear line on Emu

By Andrew Fisher in Frankfurt

European banks have called on EU heads of government to make clear decisions about progress towards mooetary union at the Madrid summit oext month in order to avoid delays in the timetable.

The appeal by the European Banking Association, representing the commercial banks of 18 countries, was made ahead of tbe presentation tomorrow of a report by the European Monetary Institute, forerunner of the planned European central bank, on how the transition to Emn should be made. This will be discussed in Madrid.

The association said Emu sbould be introduced in two *stages*: the *first for* monetary policy and foreign exchange, securities and money markets, and the second for the public and for retail banking after new ootes and coins had been issued. The time between the two *phases* sbould be *as short* as possible and demonstrate "e decisive and lasting commitmeot" to currency union by governments.

It recommended that the time between the two phases be about two years. This is sborter than tbe generally envisaged period of three years from wben Emu is due to start (in 1999 under the Maastricht treaty). There should be no obligation on anyone to use the new currency before new Euro-currency notes and coins had been introduced.

The European association said its views mostly followed those of the German Banking Association, which stated in September that poblic confidence in Emu could be won only if the new currency were introduced to the public sooner than generally envisaged and a name quickly agreed.

Mr Karl-Heinz Wessel, bead of the German and European banking associations, said banks were ready to do their utmost to see the Euro-currency adopted. The European association had prepared a paper on its introduction.

The EMI's report is likely to represent a compromise between the desire of larger banks to start using the new currency – *most probably* to be called the Euro – as soon as possible and the anxiety of smaller ones about the costs and disruption a sudden switch would cause. The EMI has consulted banks widely.

Mr Wim Duisenberg, the Dutch central bank president, said last week that ceotral banks of countries joining Emn would probebly offer conversioo facilities. These would enable banks not wanting to use the new currency immediately to conduct money market transactions in Euro-currency and normal dealings in the national currency. This would last until full introduction of new notes and coins, which he thought would take at least three years until 2002.

Rough waters spoil Kohl's plain sailing

The chancellor has had a long run of political good fortune since the election, writes **Peter Norman**. That could be coming to an end

It has taken just over a year. But the long political honeymoon enjoyed by Chancellor Helmut Kohl's centre-right coalition since its narrow victory in the German general election of October 1994 appears to be drawing to a close.

True, opinion polls still give Mr Kohl's Christian Democratic Union and its Bavarian sister party, the Christian Social Union, the support of 48 per cent of the electorate, implying they could form a government on their own if elections were held tomorrow. But the next election is not due until 1998 and in the past fortnight the government has suffered e series of setbacks that point to a tougher political climate ahead:

● The opposition Social Democratic party has turned the planned European ecooomic and monetary union into a political issue and put the government on the defensive by playing on voters' fears that the strong D-Mark will be replaced by a weaker, more inflation-prone Euro-currency.

● Mr Theo Waigel, the finance minister, has been defeated in his plans to lower business taxation, and will have to postpone for at least a year abolition of the trading capital tax, which is levied on businesses irrespective of whether they make a profit.

● A coalitioo agreement to lengthen shop opening bours has been cast into doubt by resistance among backbench MPs of Mr Kohl's own CDU.

● Last Friday, the government suffered its first defeat in the Bundestag (lower house) since the election when about 50 MPs from the CDU/CSU and Free Democrat coalition voted against it – and with the opposition SPD and Bündnis 90/Green parties. The vote was in support of e resolution to withdraw an invitation to Bonn to Mr Ali Akbar Velayati, the Iranian foreign minister, following a Tehran government statement applauding the assassination of Mr Yitzhak Rabin, Israel's prime minister.

The parliamentary defeat was a very serious blow to Mr Klaus Kinkel, the FDP foreign minister, who had invited Mr Velayati with other Islamic notables to a high-level conference on relations with Islam this week: the conference has since been postponed. The vote nearly became a crisis for the government when Mr Kinkel threatened resignation. It required an emergency meeting of coalition leaders on Friday, called by Chancellor Kohl, to persuade the minister to stay in office.

Despite the drama, however, Friday's vote is unlikely to do the government lasting harm, although Mr Kinkel's standing has been badly damaged. A bigger long-term problem is the end of the all-party consensus not to question the merits of monetary union.

After two weeks of heated debate, there is in fact very little difference between the official government line on Emu and that of tha SPD. Both sides say they want it. In a resolntion to be debated et its party congress in Mannheim this week, the SPD says "we need an economic and monetary union", while the document accompanying Mr Waigel's proposed "Stability pact for Europe" calls Emu "a milestone in e Europe of peace and prosperity".

Mr Waigel, having disclosed his plans to *bolster the Maas*tricbt convergence criteria with tougher conditions including fines on Emu members which break the budget deficit rules, has answered SPD *demands for a stability pact*. Both the finance ministry and SPD agree that meeting the convergence criteria has priority over the timetable for Emu.

Bnt the net effect of two week's debate has been to make the *SPD appear the party* which is concerned to address the German voters' worries about the prospective loss of the D-Mark. By refusing to answer a list of parliamentary questions from the SPD about Emu *until February, the gov*erning coalition has appeared uncommunicative, technocratic and out of touch.

The Emu debate has been a tonic for the SPD after months of squabbles. It remains to be *seen whether* the *party* can build on this turn of fortune, and the recent setbacks suffered by the Bonn coalition, at the party congress this week.

Chancellor Helmnt Kohl: series of setbacks

German call for pension tax breaks

By Andrew Fisher in Frankfurt

The head of Germany's largest investment fund group bas urged the government to provide financial incentives along Anglo-Saxon lines for tbe growth of private pensions.

Mr Christian Strenger, chairman of DWS (owned by Deutscbe Bank) which has DM80bn ($57bn) of funds under management, said current savings incentives were not enough to allow individuals to build up adequate funds for their old age. In the US and UK, long-term investment in equity-based mutual funds was supported by tax breaks.

*Germany's pension fund sys*tem has become the subject of an intensifying debate as the number of pensioners grows in proportion to those still working. Under the pay-as-you-go system, state pensions are paid from current contribntions. Bnt the falling birth rate means there will be roughly one worker for every pensioner around 2030; now, there are two for every pensioner.

The government has acted to prevent individual and company pension contributions from rising to intolerable levels in coming years and to *ensure payments* to *retirees* are maintained. But calls for further reforms – including the encouragement of private pension provision – have come from ecooomists, commercial bankers and the Bundesbank.

At present, Mr Strenger said, government-supported savings schemes only allowed people on low incomes to accumulate an average DM8,200 over seven years. "This means sums are saved for consumer purchases and not for more long-term private provision."

He maintained that schemes should be implemented which would encourage people to save on a tax-free basis for retirement over at least 25 years.

Bankers commonly state that the lack of a well-developed privete funded pension system, with money invested heavily in shares, is e handicap to the development of the German securities market.

Companies do set aside reserves for pensions to supplement the state scheme, bnt retain them in the company as e source of cheap capital.

Mr Strenger added, however, that there appeared to be a "fresb breeze" blowing into tha discussion on private pension provision.

He said the investment fund community was optimistic that the government would act in this area. Mr Manfred Laux, bead of the German investment fund association, which has been lobbying the government, said he hoped the mounting public concern over tha viability of the state pension system wonld prompt ministers into action.

Nato loses second Dutch candidate

By Bruce Clark in Washington

The Dutch foreign ministry yesterday ruled out nominating its former chief, Mr Hans van den Broek, now European Union commissioner, for tha post of Nato secretary-general.

The Dutch move deepened the disarray within the western defence alliance which has followed last month's resignation of the Belgian politician Mr Willy Claes from Nato's top political job after he was named in a corruption scandal.

Speculation had refocused on Mr van den Broek after another top Dutch politician, Mr Rund Lubbers, former prime minister, was withdrawn from the race at Washington's insistence. The Dutch government made clear yesterday that, with sensitive oegotiations on the EU's future looming, it wanted Mr van den Broek to remain wbere be was.

Diplomats said the name of *Mr Giulio Amato*, the former Italian prima minister, had been tentatively floated by some US officials. However, after the Lubbers fiasco, Rome is expected to be cautious about formally nominating Mr Amato unless it is clear be enjoys support at the highest levels of tbe US administration.

Mr Amato, wbo has spent time in the US, is perceived as a strong snpporter of the transatlantic link. His name was floated briefly for the post of European Commissioo president when that fell vacant last year.

European governments are expected to hold further consultations on Nato's leadership at a meeting of foreign and dafence ministers from the Western Europeeo Union, which begins in Madrid today.

Ideally, the Nato secretary-general sbould represent a European country which participates fully in Nato's military structure – e condition which rules out France and Spain – and is fully committed to the 10-nation WEU, a condition Denmark does not meet.

Mr Uffe Ellemann-Jensen, the former Danish foreign minister, who was the first declared candidate for the Nato job, hopes to soften Frencb objections to his candidacy.

But the French government is understood to be frustrated by Washington's refusal to accept Mr Lubbers, and it will therefore not be in a mood to rethink its attitude to the Danish candidate.

US shows united front across the divide

David White reports on a meeting between bosses from both sides of the Atlantic

Whoever has never seen Seville, goes an old saying, has never seen a marvel. But some of the participants at the first top-level Transatlantic Business Dialogue meeting in a rain-swept Seville this weekend were unclear wbether they had witnessed a marvel or a conjuring trick.

Among Europeans, and especially the French, there were murmurings about "mistrust" and "manipulation". The Americans, many felt, came better prepared. US business leaders and administration officials spoke with one voice.

A French official, taking a backseat role in the talks reserved for about 100 industry bosses from both sides of the Atlantic, commented: "The big defect of the Europeans is that they are never co-ordinated."

Mr Raymond Lévy, former Renault chief and now presideot of the Cercle de l'Economie, accused US participants of erecting a wall against proposals for harmonising trade regulations.

"Everybody wants liberalisation on condition protection laws are maintained, and those laws are American," he said bluntly.

This was not the view, however, of Mr Jan Timmer, president of Philips. "I was favourably surprised by the flexibility the Americans have shown," he said.

"There was absolute agreement that there are far too many rules now, and they are great and unnecessary impediments to trade... We felt united in frustration."

The talks, held in the former Africa pavilion built for Seville's 1992 Expo, included what European Commission officials described as "soma pretty heated discussion". That, said Mr Timmer, was fine. "If emotions don't flare up once in a while, you don't really achieve changes."

But some were worried that debates of this kind might only increase tensions, and even slow down steps to lower tariff barriers and remove other obstacles.

Mr Krister Ahlström, chairman of the Finnish Ahlström group, warned: "If we handle this the wrong way the practical obstacles will grow."

Early scepticism on the European side about the usefulness of the exercise – held under the auspices of the US Department of Commerce and the European Commission – was only partly dissipated.

"It's very pretty to say we want common standards," said Mr François Petit, vice-president of Alcatel Alsthom, the telecommunications and transport equipment group. Discussions like this could not go beyond generalities, and that was "very dangerous". He contrasted the upbeat tone given to the discussions with tha slow progress made in 18 months of multilateral negotiations on e deal to liberalise telecommunications.

'If emotions do not flare up once in a while, you do not really achieve changes'

Should the two sides harmonise anti-dumping rules?

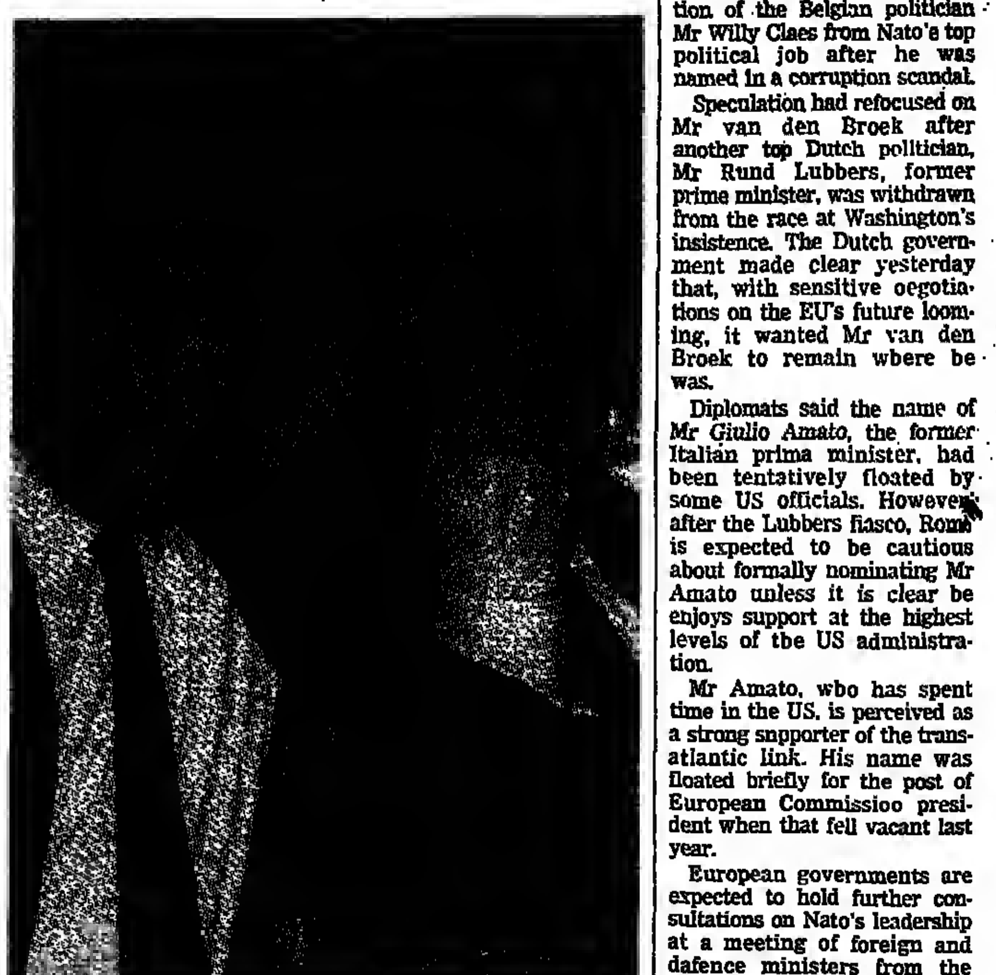
No, said Mr Robert Grow, president of Utah-based Geneva Steel. "In the industry I'm involved in, we've had enough change for a while." As long as Europe exported 20 times as mnch steel to the US as the US did to Europe, there should be no change in the laws, he maintained.

Some specific US grudges were kept out of the published conclusions to the conference.

Mr Lodewijk de Vink, president of the Warner-Lambert drugs group, was unhappy that no recommendations were included on price-fixing and "parallel trade" in pharmaceuticals. "We had a slight difference of opinion here as to what we were going to do," he said.

However, Mr Peter Sutherland, former European commissioner and chairman of Goldman Sachs International, believed the conference – of which he was one of the co-chairmen – had created a momentum. US and European anthorities could not now ignore its proposals for further liberalising trade and investment.

Bnt one participant commented: "This was the easy bit."



Former EU commissioner Peter Sutherland (right) has a quiet word at the meeting with Xerox chairman Paul Allaire *Reuter*

Russian pro-democracy party chief voices fears to European leaders at Berlin meeting

Yavlinsky warns of poll delay dangers

By Judy Dempsey and Quentin Peel in Berlin

Any deiay in holding both parliamentary and presidential elections in Russia would deal a devastating blow to hopes of building democracy, Mr Grigory Yavlinsky, leader of the largest pro-democracy party, warned this weekend.

That in turn would undermine stability in the country, and any hopes of lasting economic reform, he said.

At the same time he warned the west that moves to enlarge the Nato alliance to include the states of central and eastern Europe would play into the hands of Russia's military and nationalist forces.

Speaking at a conference of east and west European leaders in Berlin, organised by the Herbert Quandt foundation and the Financial Times, Mr Yavlinsky denounced new ettempts to have Russia's electoral law declared unconstitutional, which could lead to an indefinite delay in the polls. "We have to stick with the timetable. When you hear talk of postponing alections in Russia, that can mean postponing them for centuries."

Only days after Mr Yavlinsky's own Yabloko party won an eppeal against being disbarred from next month's parliamentary elections, the aupreme court last week decided to refer the electoral law to the constitutional court.

"*This is obviously another* attempt to have the whole election process put off," Mr Yavlinsky said. He warned that such e decision could cause riots, because the Communist party, which leads the latest opinion polls, would bring its supporters on to the streets.

The move was part of a wider plot to stop next year's presidential elections, which were far more important for the future of Russia, he added. President Boris Yeltsin must be persuaded to leave office peacefully if ha lost those elections. "If the change of power is bloody, it will destroy democracy for a long time."

Mr Yavlinsky said that it was not for Russia to block eastern European countries from joining Nato, but "there are strong forces in Russia dreaming of an expansion of Nato". They included the military-industrial complex, and the military staff, who would be delighted to be able to maintain the existence of a "western threat".

Any Nato enlargemeot would immediately be met by a Russian military union with Belarus, and naked pressure on Ukraine to follow suit.

His doubts were echoed by Mr Arkady Volsky, president of the Russian association of entrepreneurs and industrialists, and formerly a top Communist party official. He warned against any attempt to link Nato enlargement to enlargement of the European Union.

"Yon are treading here on very thin ice," he said. If the west went ahead with Nato enlargement, "we would look to our own alliances."

Both Mr Yavlinsky and Professor Jeffrey Sachs, director of tha Harvard Institute for International Development, said genuine economic reform had come to a standstill in Russia. The privatisation process which had taken place over the past three years had simply resulted in a massive transfer of property ownership to former epparatchiks of the Communist system.

"The extent of theft of assets has been incomparably more in Russia than in other [former socialist] countries," Mr Sachs said, with a devastating effect on public finances. Gazprom, giant state gas producer, had been "pocketed". "We don't know how, and we don't know by whom. But it is theft."

EU aspirants 'need markets not subsidies'

By Quentin Peel

The new democracies of central and eastern Europe should renounce any claims to subsidies from the European Union's special funds for regional aid if they join the EU, and simply demand full market access, according to one of their leading economic advisers.

Professor Jeffrey Sachs, director of the Harvard Institute for International Development, and an adviser to Poland, Estonia and Slovenia, said EU enlargement was "not a luxury, but a geopolitical imperative".

At a conference of east and west European leaders in Berlin, organised by the Herbert Quandt foundation and the Financial Times, be argued that the process need not be as expensive as west Europeans feared, nor long delayed.

He set ont a six-point programme for enlargement which, he said, was both realistic and achievable. It would include membership for the "fastest-reforming countries" by 2000, a 10-year transition period from that date for agriculture and the free mobility of labour, and an opt-out from the EU social charter for the same period.

He said tbe most fundamental requirement was a switch by the European Union away from trade safeguards, including anti-dumping measures, to common competition policy for the whole region.

Western Europe would drop its anti-dumping actions, while eastern Europe would renounce subsidies to state enterprises.

The aspirant member states of central and eastern Europe sbould renounce their claims to subsidies from the EU "structural funds".

"It doesn't need charity," be said. "It needs markets and membership. Structural funds do not belp EU politics or anyone.... The east Europeans should say this clearly: we don't want Irish, Greek or Spanisb money. We want access to the markets."

The other principal requirement was for a co-ordinated infrastructure programme between the two balves of Europe, a point also stressed by President Zhelya Zhelev of Bulgaria.

Professor Sachs said the planning of key infrastructure projects for the 21st century, including energy networks, telecommunications, and transport links, were being set today.

"This is a key reason for accelerating their membership," he added.

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Russia plans to clean up bank sector

By John Thornhill in Moscow

Russia'e central bank is planning to crack dowo oo criminal banks and strengthen its regulatory armoury as part of a drive to bolster the integrity of the country's financial sector.

In his first interview since becoming acting bead of the central bank last Wednesday, Mr Alexander Khandruyev said bank officials would this week meet a US presidential repreeentative to discuss ways to halt international money laundering.

Western banking officials bave grown increasingly alarmed at criminal involvement in Russia's 2,500 banks and bave denied several of them international licences until the domestic regulatory regime is improved.

"There is a small group of banks which deal actively with illegal structures and launder money," Mr Khandruyev said. "The so-called mafia works actively in this area."

There were a range of instruments to force out these banks including the withdrawal of licences, temporary administration, limitation of banking operations and restricting access to refinancing, he said.

But Mr Khandruyev, previously the bank's deputy chairman, said crime was limited in scope and emphasised there were many other clean banks which were growing increasingly strong and sophisticated.

"About 50-100 banks already equate to world standards," he said. "The relatively big banks work in close co-operation with the government. It is profitable for banks to be close to power. That is true in other countries but especially in Russia."

Mr Khandruyev said the central bank would improve refinancing mechanisms to ease the liquidity problems that had paralysed the inter-bank lending market in August, and would encourage consolidation in the sector through mergers.

"Many commercial banks bave difficulties related to insufficient liquidity, mismanagement, and a lot of bad debts," he said. "We now have a very, very important task to strengthen the banking system."

Mr Khandruyev is a contentious figure in banking circles because of his close association with Mr Victor Gerashchenko, the head of the central bank during the rouble crash in October 1994. But he sought to counter concerns that the sacking of Mrs Tatiana Paramonova, his internationally respected predecessor, foreshadowed any easing of the bank's tight monetary grip.

There would be a tough monetary policy and the main task of the central bank would be to eupport the stability of the national currency.

But, whila praising Mrs Paramonova's determination to defend the rouble, Mr Khandruyev implied she had been insufficiently flexible in dealing with parliament and government and ineffective in managing the bank's internal functions. "The central bank is not only a professional institution, it is also a political body. We have to co-operate with the legislative and executive powers," he said.

"Sometimes we are compelled to compromise but sometimes we have to be very firm in our position. The main menace for the central bank is not parliament but the huge appetite of the government for additional money."

Mr Sergei Dubinin, the former finance minister, has rapidly emerged as the front-runner for the post of central bank governor. However, it seems unlikely that a permanent governor will be nominated by President Boris Yeltsin and approved by parliament before next month's parliamentary elections. In the meantime Mr Khandruyev is likely to face a stiff test of his independence as pressure mounts ahead of the election to loosen monetary policy.

E Slavonia's Serbs fear a hidden agenda

I constantly dream of Osijek, said Mr Dragan Car, a Serb who fled to eastern Slavonia after being driven out of his home town by the Croats four years ago. "I lost everything. Here they gave me a house," he says.

Mr Car's hopes for a secure future rest on the peace plan brokered yesterday. It calls for transitional rule over eastern Slavonia, the Serb-held region of Croatia which borders Serbia, before the disputed region comes under direct rule by Zagreb. There will be detailed guarantees of human rights.

The agreement signed by local Serb and Croatian government officials was put forward by President Slobodan Milosevic of Serbia and his Croatian counterpart, Mr Franjo Tudjman, at US-sponsored talks in Dayton, Ohio.

Brokered by Mr Thorvald Stoltenberg, the UN mediator, and Mr Peter Galbraith, US ambassador to Croatia, the deal should avert a war, which had seemed imminent, and remove a big obstacle to a wider settlement for former Yugoslavia.

But Mr Slavko Dokmanovic, a member of the Serb negotiating team, is sceptical. "Tudjman wants to get rid of the last Serbs from Croatia. There will be no life for Serbs under Tudjman's government." Up to 200,000 Serbs fled two Croatian offensives in May and August, which crushed the rebel Serb state of Krajina and left eastern Slavonia as the last Serb-held area in Croatia.

A year before war erupted, after Croatia declared independence from Serb-led Yugoelavia, Mr Dokmanovic was elected mayor of Vukovar, whose population was split almost equally among Serbs, Croats and a jumble of other nationalities.

Four years ago this week Vukovar fell to Serb forces after a three-month siege. The dead bodies and twisted wreckage have long been cleared away, but there is scarcely a building which has not been scarred by Serb shelling of this once picturesque town set on the banks of the Danube River.

All but a handful of the Croatian inhabitants of the region were expelled. The new peace plan grants the Croatian refugees the right of return, but Mr Dokmanovic says there is no room for them until Serb refugees in eastern Slavonia are allowed back home.

Like Mr Car of Osijek, many of the 150,000 Serbs now in eastern Slavonia fled fighting elsewbere in Croatia and say they will not leave the region.

Behind this defiant stand, there is a sense of defeat. It is a striking change from the truculent nationalism of earlier years when the Serbs were the strongest force.

Mr Dokmanovic insists the Serbs had a choice – eitber fight, leave or sign a peace deal. They chose to sign. "It is up to the international community to protect us," he says.

Bnt fighting would bave meant defeat, since the Serbs could not count on Belgrade to come to their defence if the Croats had attacked the vulnerable plains of eastern Slavonia.

In an effort to secure the lifting of UN sanctions against Belgrade, and wanting to appear before the international community as a peacemaker, Mr Milosevic, once widely seen as the man most responsible for Yugoslavia's violent disintegration, did not lift a finger to belp the people in Krajina, whom he had once claimed to champion.

By contrast, his opposite number, a euphoric Mr Tudjman, flush with Croatia'e military success, is bellicose. The president's troops were regronping as be warned be would seize the area by force if the Serbs did not sign a plan by November 30, when the UN mandate ran out. He vowed to drink coffee in Vukovar by Christmas. For the Croats, Vukovar is their symbol of heroic resistance against the Serbs.

Mr Car has met the presidents of both Serbia and Croatia before. Once the renowned manager of a landmark Osijek restaurant, Lovacki Rog, he had served the two presidents lunch at one of their 1990 summits which failed to halt the march to war.

His only bope is that this time the two presidents have been more snccessful. "From the beights I can see my old apartment," be eaid with a smile, which quickly fades. "This time I have nowhere else to go."

Laura Silber

Hopes of a comprehensive negotiated settlement in former Yugoslavia have risen following yesterday's acceptance by local Serb leaders in eastern Slavonia of a plan to return the area to Croatian authority, writes Bruce Clark in Washington.

Mr Thorvald Stoltenberg, the United Nations envoy, said the agreement to avert a new Serb-Croat clash could mean that "we have experienced the start of the end of the war" in the region.

Diplomats said yesterday'a accord on eastern Slavonia had shown that Serbian president Slobodan Milosevic retained influence over his kinsmen in neighbouring republics.

The deal, which clears the way for Belgrade and Zagreb to exchange ambassadors and recognise one another's borders unconditionally, marks the second hopeful development in the Balkan peace process over the past few days.

On Friday, leaders of Bosnia and Croatia agreed at the US-sponsored peace talks in Dayton, Ohio, to shore up their fragile federation and avoid the danger of a new conflict between Croats and Moslems.

Road to ruin: A woman walks past war-scarred buildings in Vukovar after the 1991 invasion Reuter

Fear outweighs anger in Nigerian oil region after the execution of Ogoni activists

Silence of the grave in wake of hangings

By Paul Adams in Port Harcourt

Outside the public cemetery in Port Harcourt, sealed off by police since Ken Saro-Wiwa and eight other Ogonis were buried there on Friday, all seemed calm as people went to the nearby Anglican and Catholic cburces yesterday.

In the big oil town in south-eastern Nigeria, a few miles from Mr Saro-Wiwa's Ogoni birthplace, there have been no demonstrations since Friday's hangings nor outward signs of mourning for the late author, an Ogoni rights leader.

The apparent normality is partly contrived. The Funray, Port Harcourt's only daily newspaper, has omitted any mention of the hangings and earlier refused to publish an open letter by local leaders to bead of state General Sani Abacha appealing for a stay of execution, due to a news blackout by the state government.

Fear overrules the anger which is expressed in private. "Some groups like the Hausas may be happy that they eliminated Saro-Wiwa," says a motor mechanic. "The people that are bltter are the southern minorities. We are asking why the world did not do anything until the man was killed. We don't dare to do anything ourselves because we do not have guns."

The outwards signs of normal life hide bitterness and despair among many who believe that Mr Saro-Wiwa and the others were unjustly convicted of murder by a government-appointed tribunal because his campaign for more oil revenues and control over the environment challenged the military government and the oil industry which funds it.

Across the Niger Delta, where millions live in poverty amid Nigeria's main source of wealtb, the fate of Mr Saro-Wiwa is seen as a warning from a regime dominated by the Hausa-speaking north to minority tribes which demand autonomy.

But the trial and execution are also a setback for attempts by multinational oil companies in Nigeria to improve strained relations with communities which surround their oilfields.

Most of the vulnerable operations are run by Royal Dutch/Shell, which produces half of Nigeria's oil and unlike the other big producers, Chevron and Mobil of the US, operates mostly on land. Shell had appealed to Gen Abacha not to execute the Ogonis and on Friday expressed sadness at the hangings. The Anglo-Dutch oil company withdrew from Ogoniland in January 1993 after clashes with the community, which accuses it of polluting the environment.

Grief for the four Ogoni politicians murdered last year has been forgotten amid the resentment since the trial.

"None of those hanged on Friday carried out the murders," said an Ogoni politician. "The local people know who did these killings but the police were not allowed to investigate. The state administrator just called in the army which picked np bystanders and arrested Saro-Wiwa."

Apart from Mr Saro-Wiwa, the others convicted were Barinem Kiobel, John Kpuniem, Baribo Bera, Saturday Dobiue, Felix Nwante, Monday Eawo, Daniel Gbakoo and Paul Levura.

All were taken from the army camp wbere they bad been held for more than a year to be hanged in the civilian prison, an old colonial building overlooking the Bundo waterside slum. Their corpses were put in the back of an open truck and taken to the public cemetery, where they were buried. A group of Ogonis who tried to get near were pursued and beaten up by police, according to nearby residents.

All weekend an armoured car has been stationed near Mr Saro-Wiwa's deserted office and a paramilitary gronp guards entrance to the cemetery. Friends and relatives are not allowed near the grave.

In Ogoniland the army has stepped up operations to pre-empt any uprising. "The army has invaded, there must be two battalions and most people are too frightened to go out," says an Ogoni.

S Africans hold a vigil over the weekend outside the Nigerian High Commission in Pretoria Reuter

Commonwealth leaders give teeth to Harare declaration

By Michael Holman in Auckland

Four years after Commonwealth leaders meeting in Harare, Zimbabwe, reaffirmed their commitment to democracy, human rights, and the rule of law, the declaration to which the city gave its name has been given teeth.

They may not yet have much bite, Commonwealth officials acknowledge, for the monitoring and consultative process that precedes action could be lengthy, and penalties and sanctions that face "errant" states which fail to live up to Harare principles may not win collective support.

But what has been called the Millbrook Commonwealth Action Programme, named after the New Zealand resort where the association leaders met to give it their blessing, is seen as a long overdue response to the charge that the Commonwealth was so preoccupied with fighting apartheid tbat it overlooked human rights abuses within its ranks.

Although it is certain to prove difficult to put into practice, Commonwealtb leaders have already taken one important step: they have made clear that the Commonwealth is a club with rules and that countries which persistently flout them will be suspended and if necessary expelled, as Nigeria discovered at the weekend.

The first element in the programme is a series of measures designed not to punish but to support countries in their efforts to implement the Harare declaration.

Thus the Commonwealth will provide aid in constitutional and legal matters, help running elections, and strengthening the judiciary, the public service, and other institutions essential to democracy, through training and technical advice.

The document also stresses importance of the link between democracy and sound economic development, and the Commonwealth will increase funds available for assistance, urging greater investment in developing member countries through such schemes as the Commonwealth Private Sector initiative and throwing Commonwealth weight behind efforts to ease the debt burden of poor countries.

This includes backing measures to ease the strains posed by repayment of multilateral debts – notably to the World Bank and IMF – faced by several African countries.

But at the heart of the programme is a step-by-step series of measures to be taken by the Commonwealth secretariat, based in London, in response to violations of the Harare principles. These include:

- Immediate expression by the secretary general of collective disapproval.
- Encouraging bilateral démarches by members.
- Appointment of an envoy or group of eminent Commonwealth representatives as fact-finders or mediators.
- Stipulation of up to two years as a time frame for restoration of democracy.
- Pending restoration, exclusion of the government concerned from participation at ministerial-level meetings of the Commonwealth.
- Suspension of participation at all Commonwealth meetings, and of technical aid, if acceptable progress is not recorded by the government concerned after two years.
- Finally, punitive actions, including trade sanctions.

An eight-member "ministerial action groop" can be convened by the secretary general to deal rapidly with serious or persistent violations of the Harare principles.

For some delegates, the package falls short of what they would have backed, but in the words of prime minister John Major, had the Commonwealth not acted on Nigeria and set up procedures to cope with other members who flont democracy "the Harare declaration would not have been worth the paper it's printed on".

Shell to decide on gas plant by end of year

The final decision on wbether to go ahead with a $4bn (£2.5bn) liquefied natural gas plant in Nigeria will be taken by the end of the year, according to Shell, the largest foreign investor in the plant, writes David Lascelles. Bnt Shell stressed in a statement last night that the plant would bring benefits to Nigeria and the Ogoni people.

The International Finance Corporation, the commercial lending arm of the World Bank, pulled out of the project in protest at the execution of Mr Ken Saro-Wiwa on Friday. The IFC's 2 per cent share would have to be reallocated, Shell said. This will probably be discussed at Wednesday's board meeting of the joint venture developing the project.

Shell, with 24 per cent, is the second largest investor in the plant after Nigeria's national oil company. Other investors are Elf of France with 15 per cent and Agip of Italy with 10 per cent.

Mr Brian Anderson, the managing director of Shell development in Nigeria, said construction work would provide 6,000 jobs in the Niger delta region and that the plant would improve tbe environment by redncing gas flare-offs.

Charles Batchelor adds: Environmental campaign groups plan this week to step up their protests against the Nigerian government and Shell.

Greenpeace said its priority was to exert pressure on governments and the EU to apply sanctions, while The Body Shop chain said its campaign headquarters had been inundated with offers of help.

Sir Bryan Nicholson, president of the Confederation of British Industry, said UK companies would support sanctions against Nigeria.

INTERNATIONAL NEWS DIGEST

EU trade pact with Morocco

The European Union has removed one of the biggest stumbling blocks to its ambitious plans for a Mediterranean policy, to improve stability on its southern flank, by agreeing a wide-ranging trade and co-operation pact with Morocco.

EU foreign ministers over the weekend settled differences between member states about the terms under which Moroccan agricultural prodncts can enter the Union. The view was immediately approved by Morocco. The agreement ends years of negotiations on an association accord with Rabat which encompasses closer political co-operation and the creation of a free trade zone with the EU within 12 years.

The breakthrough concludes one of the most difficult aspects of the EU's Mediterranean policy and sets the scene for a successful Euro Mediterranean conference in Barcelona on November 27-28. *Caroline Southey, Brussels*

First poll for Azerbaijan

Azerbaijan yesterday held its first parliamentary election since it won independence in 1991. President Haydar Aliyev's Yeni Azerbaijan (New Azerbaijan) party looks set to win a majority in the Caucasus state's parliament. Foreign election monitors reported irregularities in some polling stations, including multiple-voting. The vote had already been under a cloud of suspicion because many opposition parties and candidates had been excluded. *Reuter, Baku*

Environment plans 'inadequate'

The European Union's policies are inadequate to meet the adverse effects of environmental developments on human health and the ecosystem, a report by the European Environment Agency concludes. The stabilisation of emissions of carbon dioxide, the most important greenhouse gas, by 2000, is in doubt because of continued transport growth, low energy prices and slow improvements in energy efficiency. The report, a review of the EU's Fifth Environmental Action Programme, is the first major report by the agency, which was set up by the EU in Copenhagen late last year.

The report says pressures on the environment have increased by more than the 1992 action programme expected, as a result of a larger increase in population growth, faster growth of road and air transport, and a continued rise in energy consumption. *Hilary Barnes, Copenhagen*

Romania opposition leader dies

Thousands of Romanians yesterday queued to pay their last respects to Mr Corneliu Coposu, the Romanian opposition leader and a national symbol of anti-communist resistance, who died on Saturday aged 79. Mr Coposu was imprisoned with the rest of the National Peasant party leadership by tbe Soviet-backed communist regime which took power in 1947. On his release in 1964 be had lost half his body weight and could barely speak after eight years in solitary confinement.

Mr Coposu revived the party within days of the overthrow of the Ceausescu regime in December 1989, and over the next three years made it the main opposition to President Ion Iliescu, a former senior communist. In 1992, he led the Democratic Convention, a coalition formed by the NPP and other opposition groups, to victory in the country's first post-communist local elections. *Virginia Marsh, Budapest*

Mobil nears Jakarta gas deal

Pertamina, the Indonesian state oil company, has agreed in principle to grant a 13 per cent stake to Mobil of the US in the giant Natuna gas project in the South China Sea north of Jakarta: Pertamina plans to divest much of the rest of its stake to Japanese companies, leaving it with 11 per cent of the project. Natuna contains an estimated 210,000bn cu ft of gas, of which 45,000bn cu ft are thought to be recoverable commercially. Mr Faisal Abda'oe, Pertamina's president director, said: "There are still more details to be discussed, because Mobil must carry the burden of Pertamina's stake in the project." *Reuter, Jakarta*

Battle to see who blinks over US budget spending

Republicans have gone to the brink but polls seem to harden Clinton's resolve, writes **Jurek Martin**

Between 10 and 12 abortions are performed on US military bases around the world each year. As a result, six weeks into the 1995-96 fiscal year, Congress has reached no agreement on the $243bn (£155bn) annual defence budget. Right-to-life members are seeking an outright ban on the operation; abortion-rights advocates are determined to resist.

The stalled defence bill is not the main reason why President Bill Clinton and the Republicans in Congress have locked themselves into such corners thet, barring last minute compromises, the federal government will partly shut down tomorrow and risks default in its debt on Wednesday.

But it is symptomatic of the tactics the Repnblicans have used to further their own agenda and impose conditions on the President to get him to comply with their budgetary demands, thus avoiding Washington'a "donble witching week."

Some of the conditions are germane to the issue of the balanced budget goal, some are not. Congress has so far completed work on only four of the 13 regular annual appropriations bills and, of the incomplete, four are held up by abortion controversies. Caught in the wringer are such technical agencies as the Export-Import Bank, which provides export credits to US companies.

Typical of the unrelated is the Istook amendment, named after a Republican Congressman from Oklahoma. Mr Ernest Jim Istook believes that the welfare state has created too many vested interests, most of them liberal advocacy groups representing senior citizens and the poor.

His amendment would deny any group receiving federal grants the right to use other financial resources to lobby Congress and government. The Senate has walered down the tough version passed by the House so it applies only to the largest interest groups, but it survives as part of the "continuing resolution" designed to keep the government in business until the overall budget confrontation is resolved.

The weekend's particular sticking point concerns the increase in Medicare premiums payable by patients and also attached to the continuing resolution. Republican reforms of Medicare include higher premiums but Mr Clinton says they have no part in a temporary funding bill. He is refusing to negotiate with Congress so long as this clause remains.

Abolishing the Commerce Department also remains in the House version of the bill, though it may be removed tonight in the Senate. House Republicans see this as an important symbol of their determination to cut government down to size.

Other conditions appear more germane to the immediate issue. Language in both temporary bills requires the President to commit himself to balancing the budget within seven years, a key Republican demand especially from freshmen in the House.

Mr Clinton has not said this is impossible, though he would prefer a longer period. But he believes it frames the necessary policy decisions in such a way that his hands are tied as he will be seen to have accepted fundamental Republican premises on which the budget debate is being fought.

The debt ceiling extension, as drafted by Congress, would deny the Treasury secretary the authority to take those "extraordinary" actions – such as under-investing in government retirement funds – considered essential to avoiding default.

Congressman Newt Gingrich, the Speaker and principal Republican warrior along with Senator Bob Dole, the Senate majority leader, said tbat "clean bills" – simply and unconditionally extending the debt ceiling and funding the government pending overall budget negotiations – would be tantamount to giving a bankrupt unlimited credit card facilities.

In driving themselves to the brink, and in adding all their conditions to the temporary bills, Mr Gingricb and bis allies seem convinced it is Mr Clinton, with a long record of vacillation, who will finally blink.

But each passing day produces a poll that appears to strengthen the President's resolve. One to be published today by the Los Angeles Times finds better than 2-1 support for a presidential veto. About 70 per cent said they would never vote for Mr Gingrich as President under any circumstances.

The Speaker was dismissive of all polls yesterday and blamed their present trend on Democratic propaganda advertising which "in any commercial business would be grounds for fraud".

Yet the cold fact remains that whatever happens in the immediate days ahead – whatever Republican conditions are discarded or not – the budget battle still has not reached its Waterloo. That may not come now until well into December.

In reality, the contrasting social visions of both sides will not be fully tested until next November's elections. Mr Clinton knows that – as he has shown in ever tougher public statements over the last 48 hours – and so did Mr Gingrich yesterday.

Back in April, as the White House now likes to point out, the Speaker had promised "a *titanic* legislative atand-off", in which all sorts of conditions would be attacked to the budget and debt ceiling bills. So far Mr Gingrich has been true to his word.

Peres at rally for Rabin

By Julian Ozanne in Jerusalem

An estimated 250,000 people last night swamped central Tel Aviv to demonstrate their support for Arab-Israeli peace and show their respect for Mr Yitzhak Rabin, the assassinated prime minister. The rally was also unexpectedly attended by Mr Shimon Peres, acting prime minister, despite reports that security chiefs had urged him to stay away.

The large turnont at the rally, whicb marked the end of the traditional week of Jewish monrning, underlined the effect of Mr Rabin's death on galvanising Israeli support for the government.

More tban 2,000 police, marksmen, soldiers and secret secnrity personnel were deployed ahead of an address by Mr Rabin's widow Leah aronnd tbe pnblic square where Mr Rabin was gunned down by a Jewish extremist last Saturday.

In Cairo, 13 members of the 18-strong Palestine Liberation Organisation Executive committee attended a meeting of the ruling body to discuss the effects of Mr Rabin's death on the peace process and to plan for Palestinian elections dne on January 20. Officials said it was the highest turnout since a September 1993 meeting narrowly approved the Israeli-Palestinian peace framework.

Ahead of the Cairo meeting Mr Yassir Arafat, PLO chairman, became the first voter to register for the elections as a three-week voter registration campaign got under way in the Palestinian self-ruled Gaza Strip.

Up to 1.2m people ont of a total Palestinian population of 2.5m are expected to register by December 2 to vote in the first Palestinian elections for a 82-member legislative and executive council and a separate ballot for a president of the council.

Palestinian officials also expected Mr Arafat to lead negotiations in Cairo with the extremist Hamas Islamic movement.

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NEWS: ASIA-PACIFIC

Apec's visionaries are put to the test

By Guy de Jonquières in London, William Dawkins in Tokyo and Nikki Tait in Sydney

A visionary project for regional trade liberalisation enters a critical phase this week, when the 18 members of the Asia Pacific Economic Co-operation forum gather in Osaka, Japan, for their annual summit.

Foreign and trade ministers plan on Thursday and Friday to finalise an "action agenda" for implementing last year's Bogor Declaration, in which Apec leaders surprised themselves by pledging free trade and investment in the region by the year 2020.

The agenda – to be approved by the leaders on Sunday – will set guidelines for the steps their countries will take, collectively and individually, to lower trade barriers and deepen economic, administrative and technical co-operation.

Consensus will require a careful balance. To keep Apec moving forward, the leaders need to agree on a substantive package of measures, while respecting members' disparate levels of development and political attitudes.

Together, they account for about half the world's trade and output. However, the US and Japan, the two richest, have national incomes per head more than 25 times higher than China, the poorest. The US also has turbulent trade relations with Japan and China.

Despite intensive preparations by officials, the search for consensus in Osaka still faces stumbling blocks. The biggest arises from demands by Japan, China, South Korea and Taiwan that farm trade be given special treatment. Though Japan, as an industrialised Apec member, is supposed to liberalise its trade by 2010, it is refusing to guarantee to open its highly protected agricultural market by then.

Mr Hiromoto Seki, Japan's Apec ambassador, says his government is not seeking to dilute the grouping's free trade commitment by exempting agriculture. However, he also insists the commitment does not extend to "abolishing all barriers to trade" by 2010.

Such talk has infuriated other countries, particularly big agricultural exporters such as the US, Australia and Canada.

US officials say they plan to press Japan hard this week. However, they are not expected to push the issue to the brink, for fear of embarrassing their hosts and inflaming already sensitive relations with Tokyo on security policy.

Japan is proposing, as a compromise, that countries should be obliged for several years to open farm trade no faster than required by the Uruguay Round, provided they respect Apec's final liberalisation deadlines.

Senator Bob McMullan, Australia's trada minister, said last week that Australia could live temporarily with such an arrangement. Bot while cautiously optimistic about s settlement, bs said: "I think there are some things that only leaders can break through."

Japan, meanwhile, is seeking consolation in Washington's difficulty in guaranteeing that its future liberalisation will benefit all Apec members. The sticking point is China, whose Most Favoured Nation trade status must be renewed annually by Congress.

It is unclear how the problem will be settled – and whether it will reopen in Osaka arguments between the US and China over Beijing's stalled application to join the World Trade Organisation.

Also unresolved is how to ensure that countries dismantle trade barriers at comparable speed. Although the issue is largely technical, it highlights differences in approach between Apec's Asian and western members.

The former favour "concerted unilateral liberalisation" by individual countries acting in consultation. But the US and Canada say the term is meaningless and want members bound by clearer and more specific commitments.

Some leaders may unveil fresh national liberalisation initiatives in Osaka. But most are expected to table only measures already announced. Though countries soch as Indonesia and the Philippines are aggressively pursuing unilateral reforms, others seem reluctant to move faster than required by their commitments in the Uruguay Round.

The US, which once pushed hardest for decisive progress in Apec, will be hard put to offer much new in Osaka, because President Bill Clinton has limited trade negotiating authority. The US is expected to argue that its market is already largely open, and it is up to other Apec countries to catch up.

The firming up of market opening pledges is expected to be left to next year's Apec summit, in the Philippines, shortly before the January 1997 launch date for the liberalisation exercise. The priority in Osaka will be to maintain the momentum. Apec officials are confident the leaders will not retreat from their ambitious shared vision. Says one negotiator: "No leader wants to stand up and tell the others they didn't really mean what they said in the Bogor Declaration."

SEOUL-TOKYO RIFT GROWS

President Kim Young-sam of South Korea is threatening to snub the Japanese prime minister for a second time in a month as a diplomatic dispute deepens over Japan's former colonial rule of the Korean peninsula, writes John Burton in Seoul.

The foreign ministry in Seoul warned that a planned meeting next week between Mr Kim and Prime Minister Tomiichi Murayama would be cancelled unless a Japanese cabinet minister was dismissed for remarks apparently justifying Japanese rule of Korea between 1910 and 1945. The two leaders are scheduled to meet this week at the Asia Pacific Economic Co-operation (Apec) summit in Osaka, Japan.

Last month Mr Kim dropped talks with Mr Murayama during the 50th anniversary celebrations of the UN in New York after the premier implied that Japan's colonial takeover of Korea was legally valid. Mr Takami Eto, the Japanese management and co-ordination minister at the centre of the latest row, was quoted last week as saying that Japan had done many good things for Korea during its colonial rule. He later retracted the remarks.

Seoul may also withdraw its envoy from Tokyo unless Mr Eto is sacked, according to the South Korean news agency Yonhap. South Korea last week refused a visit by Mr Yohei Kono, Japan's foreign minister, to solve the dispute.

Kim Young-sam: threatens snub

ADB sets its sights on rich Asian nations

By Simon Kuper

Asia'a richest emerging nations will this week be asked to increase their donations to the soft-loan fund of the Asian Development Bank, as western donors plan to reduce their grants.

Donors are meeting in Amsterdam today and tomorrow to start talks on the new replenishment round of the bank's Asian development fund, which is intended largely to reduce poverty.

In the previous round, in 1992, $4.2bn (£2.6bn) was raised. South Korea and Taiwan each donated $15m, Hong Kong gave $3m and Singapore nothing at all.

This year many western donors had expressed their "strong expectation" that these four countries would start paying more, said Mr Tadahiro Asami, ADB treasurer.

Howaver, bank officials admit privately that the round may fail to equal tha 1992 effort.

Higher Asian donations would also encourage the US to pay in full the $680m it pledged in 1992, said Mr Asami. So far the US has fallen short, and other western donors, whose payments are tied to Washington's, have followed suit.

The ADB development fund has received about $300m less than the amount pledged by donors in 1992. This shortfall and the yen's rise bave meant that Japan, in effect, has provided 57 per cent of the total 1992 replenishment.

The US Congress is proposing to commit only $110m to this year's round, although that is regarded as something of s triumph by the ADB, given the Repoblican party's onslaught on overseas aid.

South Korea appears the most likely of the Asian members to fill any void created by a western shortfall; the ADB's Korean governor has said his country plans to give "substantially more".

Seoul spends 0.07 per cent of gross domestic product on overseas development aid, against an average of 0.35 per cent for nations in the OECD, the group of rich countries which South Korea expects to join next year.

Hong Kong and Taiwan have also indicated they will give more. Bank officials say these nations are keen to raise their international profile to assert their independence from China.

Singapore remains reluctant to contribute, not least because it disapproves in principle of cash subsidies.

S Korean probe into slush fund widens net

South Korean prosecutors may indict as many as 10 leading businessmen for allegedly giving kickbacks on state contracts to former President Roh Tae-woo and aiding him in laundering funds, writes John Burton in Seoul.

Mr Ahn Kang-min, the senior prosecutor investigating Mr Roh's $650m (£411m) slush fund, said there was evidence that corporate contributions given to the former president amounted to bribes for business favours during his 1988-1993 term.

The charges against the businessmen would follow the expected arrest of Mr Roh later this week.

The leaders of the country's 30 biggest conglomerates have been questioned by prosecutors, including the heads of Daewoo, Lotte and Miwon yesterday. The chairman of the Dongbang group, who is related to Mr Roh by marriage, faced a 49-hour interrogation.

Mr Ahn said the prosecution was likely to extend its investigation to include state-run companies, bank executives, and Mr Roh's family.

Mr Park Kye-dong, an opposition MP who helped expose Mr Roh's slush fund three weeks ago, alleged at the weekend that the former president may have received more than $2bn in bribes.

Meanwhile, a leading official in the ruling party said it might ask prosecutors to investigate allegations that senior politicians had taken money illegally from Mr Roh and business groups. The call for the probe appears aimed at opposition leaders who are already implicated in the scandal.

Mitsui to quit gas project in Vietnam

Mitsui and Co, the Japanese trading bouse, is pulling out of a $420m (£266m) gas project planned for Vietnam and its partner, British Gas, has scaled down its involvement in the scheme, dealing another blow to the country's nascent energy industry, writes Jeremy Grant in Hanoi.

The project, to build an offshore gas compression platform, pipeline, onshore facilities and a liquefied petroleum gas (LPG) plant on Vietnam's southern coast, was to bal[illegible] been the country's first opportunity to use gas found offshore to fire power plants in the industrial sooth. However, Mitsui's pullout casts doubt on wbether Vietnam can meet a deadline set by Mr Vo Van Kiet, prime minister, to bring gas ashore by 1997 to feed a series of new power plants.

Mitsui said in a letter dated November 2 that, after Vietnam bad failed to accept points made in the study, "we have no option but to withdraw", despite spending "much time and great efforts".

A British Gas official in Hanoi said the company had decided three months ago that it would submit another proposal for a $270m project consisting of the LPG plant and terminal only.

Dr Mr Nguyen Hiep, vice-president of PetroVietnam, said Vietnam would press ahead with the offshore component of the project by itself.

The Mitsui decision comes just two months after Total of France abandoned plans for a $1.2bn project to build Vietnam's first oil refinery as it was commercially unviable.

Parallel imports leave bad odour

By Emiko Terazono in Tokyo

Tokyo's trend-setting office ladies have had a frustrating weekend. A crackdown by Japanese health anthorities forced 200 of them to go home empty handed on Saturday, having waited all morning at a retailer to boy cheap "parallel" imports of luxury brand cosmetics such as Chanel, Christian Dior and Calvin Klein.

Parallal importers acquire original, and often luxury brand, products from sources other than official distributors and sell them on at substantial discounts.

Although individual consumers can bring cosmetics bought overseas into Japan, distributors and retailers are banned by a drug law from selling imported cosmetics which do not have an attached list of the product's ingredients. This makes it impossible for parallel importers to retail cosmetics because manufacturers supply such information only to their official distributors.

Before it was raided on Saturday by health regulators, Designers Colleziooe, which sells European designer clothing at low prices, was poised to sell 2,000 items of imported luxury-brand cosmetics at a discount of 30-50 per cent

The raid is the latest instance in which Japan's fashion-conscious female consumers have been hit by the country's non-tariff trade barriers.

Earlier this year, a boom in Chinese seaweed slimming soap – popularised by air stewardesses – prompted many women to buy the product in bulk from abroad, such as Hong Kong, where it cost only a tenth of the price in Tokyo. But few purchasers were aware of a regulation which allows individuals to bring back only 24 bars of foreign soap into the country and so their surplus soaps were confiscated.

Designers Collezione says it is disappointed by the government's response and is planning to challenge the government by submitting a petition demanding the law's revision.

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Major rejects Irish PM's call on IRA arms

By Robert Shrimsley at Westminster

Tension between Britain and the Republic of Ireland about how best to drive forward the stalled Northern Ireland peace process increased yesterday. Mr John Major, the British premier, dismissed calls from Mr John Bruton, his Irish counterpart, for a compromise over "decommissioning" of weapons retained by paramilitary organisations. Mr Bruton called in London on Saturday for a swift move to all-party talks – a position which would require Britain to soften its insistence on some surrender of terrorist weapons beforehand.

"The support of the British government for a reasonable compromise on the remaining issues in the way of all party talks is now needed to move the peace process forward," Mr Bruton said. The obstacles were "comparatively minor in historical terms", be added. The issues still dividing the parties were "insignificant" and "little more than semantic". However, Mr Major, who returns to Britain today from the Commonwealth summit in New Zealand, rejected the call, saying the "impediment" to progress was not tha UK government but Sinn Féin, the political wing of the Irish Republican Army.

British government representatives expressed their "dismay and astonishment" at Mr Bruton's speech, stressing the discovery on Friday of a terrorist bomb in tha republic near its border with Northern Ireland.

Mr Major also accused the republic's government of caving in to Sinn Féin pressure when it cancelled a planned Anglo-Irish summit in September after republicans mada clear that they would not accept the so-called "twin-track" compromise. The compromise, which involved an independent arms commission running parallel with all party talks, foundered after Sinn Féin refused to accept the demand that it hand over some weapons as a gesture of "good faith".

Although he was careful not to attack or criticise Mr Bruton personally, Mr Major showed his irritation at the Irish premier's speech and said softening the government line would be a "reckless short term gesture".

Speaking in Auckland, Mr Major said there had been a good compromise available in September. "It wasn't the British government thet backed away from that compromise. It was the Irish government. It could not proceed because it came under pressure from Sinn Féin and other people."

Fears grow over $4bn aircraft order from UAE

By Bernard Gray, Defence Correspondent

A potential $4bn export order for UK fighter aircraft to the United Arab Emirates may be threatened because the Foreign Office has so far failed to agree a mutual defence pact between Britain and the UAE.

The issue may surface as competition for the order between British, French and US manufacturers intensifies at the Dubai Air Show, which opened at the weekend.

The UAE is looking for up to 80 frontline comhat aircraft over the next five years worth a total of $4bn-$5bn, and to spend as much again in support over a 20-year period. But it is insisting that countries tendering for the order should have defence alliances with the wealthy but sparsely populated Gulf state.

Britain has been negotiating a joint-defence memorandum of understanding with the UAE for more than a year, but has failed so far to come to an agreement. The Foreign Office is thought to he concerned about the hinding defence guarantees it might be required to give.

Both France and the US have, however, signed such agreements, and are offering aircraft in the competition. France is offering the Dassault Mirage 2000 and its new Rafale fighters, while the US manufacturer McDonnell Douglas is offering its F-15 and F-18 fighters and Lockheed Martin is joining the bidding with the F-16.

Britain has offered to lease the UAE a squadron of Tornado ground attack aircraft until the Eurofighter becomes available after the turn of the century. The UAE is thought to be interested in the Eurofighter because it will be the most capabla fighter aircraft available beyond 2000 with the exception of the Lockheed Martin F-22, which is unlikely to be sold for export to Gulf states.

However, the UAE is insisting that it must have a defence agreement in place with the UK if it is to consider the Eurofighter. The Foreign Office says negotiations are continuing but it cannot give a date when an agreement might be signed.

The timetable has already slipped badly. Earlier this year senior Ministry of Defence figures were confident the agreement would be in place by last June, and that the MoD would not take any decisions on military equipment which would prejudice the UK meanwhile. In March, however, a $200m order for anti-submarine warfare helicopters which had been expected to go to Westland of the UK went to the Franco-German Eurocopter group instead.

There is concern within the defence industry that if the government does not agree defence links with the UAE, Britain's place in the competition will be jeopardised.

Electricity supply reform at risk

By David Wighton in London

The timetable for introducing competition into Britain's domestic electricity market in 1998 is being threatened by a dispnte over who should meet the estimated £300m ($474m) bill for new computer systems.

The electricity companies have been unable to agree on how the costs should be shared, raising fears that the start of the project could be delayed. Some companies are being accused of deliberately dragging their feet. "There are plenty of people who would prefer that 1998 did not happen, and take every opportunity to slow the process," said one senior industry executive.

Any dalay would be a serious embarrassment for the industry and tha government. Mr Tim Eggar, the energy minister, is determined that there will be no repeat of the chaos which followed last year's introduction of competition for commercial and industrial electricity customers.

Extension of competition to all 22m domestic customers requires complex new computer systems. These will settle accounts between suppliers on the basis of estimated customer consumption and then adjust them according to subsequent domestic meter readings. Some generators argue that they should not have to pay for the systems, because they receive no benefit from 1998. The regional electricity companies (recs) are concerned about how and when they would recover costs from customers. One rec chief executive said: "It is a genuinely tricky problem, but it needs to be sorted out quickly. The timetable is already very tight, and we really can't afford any slippage."

Labour sets out agenda for City

By James Blitz at Westminster

Alistair Darling: confident about ability to carry out reforms

Mr Alistair Darling, the opposition Labour party's spokesman on the City of London, is becoming a familiar figure to UK financiers – and with good reason. This affable 41-year-old Scot may soon be at the heart of the biggest changes to the regulation of hanks and financial services for a decade.

In recent days the structure of the financial services industry has been much on the minds of MPs at Westminster.

A report by the House of Commons Treasury committee has called for a review of the Bank of England's role as supervisor of the UK banking system. It also raised concerns about the operations of self-regulating organisatious such as the Personal Investment Authority and the Securities and Futures Authority.

"The government has set itself against doing anything about the workings of the City before the election," says Mr Darling. "We are 40 points ahead of the Tories in the polls. And the climate of opinion suggests that we will have no difficulty carrying out reforms in this field before too long." The latest possible date for the next general election is June 1997.

Last month, Mr Darling firmed up tha Labour party's commitment to end self-regulation in financial services industries. The policy – which entails creating one regulator and giving that task to the Securities and Investments Board – is being fiercely resisted by organisations such as the Personal Investment Authority, which believe they already act as accountahle authorities.

But Mr Darling is adamant about the need to restore public confidence and to end confusion about the roles of the SIB and the self-regulating organisations. "The public needs to know that there is one regulator and that the buck stops there," he says.

Reform of banking supervision is far more sensitive, however. Here, in the wake of the Barings collapse, Labour's instincts are for supervision to be taken away from the Bank of England and given to a new and independent commission.

Asked how his review will turn out in this area, Mr Darling is at his most inscrutable. He insists that he is under no pressure to come to a quick verdict. "This is not a party political issue," he insists. "We don't want change for the sake of it. Britain's reputation abroad – and the City's reputation – matters to us and we don't want to take decisions on the hoof."

He runs through the case for a separate supervisory body. First, there are too many organisations acting as snpervisors in overlapping fields. He also says that the Barings debacle again raised doubts about the Bank retaining both the supervisory and monetary roles.

"Had there been a separate banking commission someone would have been fully focused on supervision and would not be spending half his time on monetary policy and the other areas that the bank has to discharge."

But he makes an equally good case for leaving the current system as it is – and betrays a little more enthusiasm as he makes it.

First, the system of supervision is only as good as the supervisors themselves – and it is far from clear that an independent body could get better staff than the Bank itself.

"People love to go around saying they work for the Bank of England," he says. "Bnt would they like to work for an anonymous commission?"

He is also concerned by the international consequences of moving supervision away from the Bank. "The Bank of England, despite Barings and BCCI, enjoys a formidable reputation throughout the world," he says. "Many British institutions rely on that supervision for international credit rating purposes – so one has to be very very careful about removing that, and putting these institutions in difficulty."

UK NEWS DIGEST

Minimum wage wins unexpected business support

A surprisingly high proportion of small companies – 40 per cent – have no objection in principle to a government-imposed national minimum wage, according to a poll by the Forum of Private Business. However, 50 per cent of those polled oppose a statutory minimum wage, with 10 per cent undecided. The majority feel such interference in the employer-worker relationship would reduce flexibility of recruitment, would restrict job opportunities and could increase unemployment. "Even amongst those who agree with the principle of the minimum wage, there is very serious concern about the level at which it might be pitched and its possible effects on growth and jobs," said Mr Stan Mendham, the forum's chief executive.

The survey found that, of those supporting a minimum wage, 54 per cent feel that the £4.15 ($6.55) hourly rate – for which some leading trade unionists have been pressing – would be too high. *Andrew Bolger, Employment Correspondent*

Shopping centres rated

Glasgow (the largest city in Scotland), Manchester in Northern England and London's Oxford Street are the UK's top three shopping destinations – well ahead of big out-of-town shopping centres such as Lakeside or Meadowhall – says a ranking of the quality and choice of the shops by Management Horizons, the retail consultancy. Ranked purely on the range and quality of their shops, traditional city centres score better than out-of-town "regional" centres, it says. While central London as a whole would top the rankings with 569 points, Management Horizons decided to split the city into several areas. On that basis, Oxford Street comes third overall, on 244 points, after Glasgow on 331, and Manchester on 249.
Neil Buckley, Consumer Industries Staff

Plea to raise age limit rejected

THE NATIONAL LOTTERY

Mrs Virginia Bottomley, minister responsible for the National Lottery, refused to raise the age limit for playing on the lottery from 16 to 18. She said in a GMTV broadcast that the government would not be forced into becoming a "nanny", and pointed out that people were allowed to marry at 16. The government came under pressure to raise the age last week when it emerged that a 15-year-old schoolboy had won £10,000 in a National Lottery scratchcard game. He told the shopkeeper he was 16 and went back to claim his winnings with his mother. Mrs Bottomley dismissed fears that young people could be drawn into gambling. *PA News*

EU tax rises opposed

European Union officials must resist calls for Europe-wide increases in alcohol and tobacco taxes when they meet in Lisbon today to discuss harmonising EU excise duties, says a report from a rightwing London think-tank. The euthor, Mr Keith Boyfield, a London-based consultant, says failure to harmonise European excise duties has triggered an explosioo in informal cross-border trade that "makes a laughing stock of the European single market". Participants at the Lisbon conference, organised by the European Commission, will debate whether to achieve greater harmonisation by levelling "up" duties in low-duty states, or by reducing the high duties charged in countries such as the UK.
Stephanie Flanders, Economics Staff

Names in court tomorrow

LLOYD'S
LLOYD'S OF LONDON

About 1,000 members of the Rose Thomson Young Syndicate 255 Action Group will open the latest Lloyd's of London court case tomorrow. One of the members is Mr Ian Lang, senior industry minister in the Conservative government. The group is claiming damages of more than £300m ($474m) for losses incurred largely as a result of catastrophes which hit the insurance market in the late 1980s and early 1990s. The case, which is expected to last until early next year, comes as Lloyd's continues its efforts to forge an out of court settlement with litigating Names – individuals whose assets have traditionally supported Lloyd's. *Ralph Atkins, Insurance Correspondent*

Rivals swoop: The owner of prize-winning racing pigeons together worth £20,000 ($31,600) blamed jealous rivals for killing 13 of the birds. "Half my team has been wiped out," said Mr Ronnie Williamson of Portadown, Northern Ireland. Police were shocked at the ferocity of the attack on a loft that was guarded by friends of Mr Williamson while he was being awarded more prizes at a pigeon-fanciers' rally in Belfast.

Accountancy Campaign against liability may undermine self-regulation

Low-balling challenges profession

By Jim Kelly, Accountancy Correspondent

The State of Texas and the Law Society of Northern Ireland share a distinction of some importance to accountants. Both have tried to tackle the issue of "low-balling" – an issue which has quite recently prompted two leading UK firms to engage in a public slanging match.

Stoy Hayward, the leading medium-tier firm, chose to tackle the matter publicly when it lost the audit of the RAC Clnh to Price Waterhouse, one of the Big Six. The resulting consternation prompted an official inquiry.

Some people see low-balling merely as competition – the use of aggressive pricing to win revenue. To others, low-balling results in a damaging impact on the client or in the case of audit on the shareholders.

Undercutting of the audit price is seen as an entry fee. Once installed, the auditor tries to claw back losses either by securing other lncrative contracts or by eventually raising audit fees.

These practices mean that the audit contract becomes extremely important to the accountancy firm, because only by keeping it can the losses be reclaimed. In other words, the independence of the auditor is undermined. The auditor might also be tempted to give the clients what they have paid for: a snperficial audit.

So in theory there are two kinds of low-balling – tha good and the bad. The Texas Public Accountancy Act of 1991 tries to safeguard companies against the bed variety. If auditing skills are offered for "compensation" which is "less than the direct labor cost reasonably expected", then there is a presumption that there has been a "loss of independence".

The Law Society of Northern Ireland takes a stronger line. A lawyer who belongs to the society "shall not work for a fee or at a rate which" can "reasonably be regarded" as designed to attract clients rather than to make a profit.

The rest of the world is reluctant to tackle this issue for good reasons. There is an understandahle fear that in combating bad low-balling, the result will be unfair restrictions.

Any move to restrict competition could be expected to face regulatory inquiry. There is also scepticism over whether bad low-balling exists. Where, ask the Big Six firms especially, is the evidence?

A working party headed by an independant outsider was duly set up by the Institute of Chartered Accountants in England and Wales. It found no evidence that large audit clients were damaged by competitive pricing. They choose their auditors for many reasons, and price was not the crucial factor. "In the case of listed companies, the threat of litigation is the strongest protection against bad work," said the report.

But there is a catch here for the profession. It is currently campaigning on several fronts to try and limit its liability on andit. If it succeeds, it may therefore remove, at least to some degree, the self-regulating mechanism which most of the large firms claim keeps the quality of audit work as the highest priority.

Another worry is the ferocity of the price war for auditors. The report said big audit clients do not choose by price alone. So what is driving the price war? Recent research from the universities of Glasgow and Exeter show a 22 per cent drop in audit fees on a change of anditor. Anecdotal evidence suggests clients can cut 10 per cent from the fee by just suggesting a tender process.

All firms competing for audit work need to offer a competitive price – often a very low one compared with that paid to the sitting auditor. They are then forced to maintain the quality in order to defend their exposure to legal action. The client therefore gets a very good deal.

But the danger is that, at such a price, the client may undervalue the audit and look on it as simply a commodity. The independent report found the beginnings of an "expectation gap" between what management thinks it is paying the auditor for and what it actually receives.

The compilers of the independent report found widespread concern over tha quality of work done by some accountancy firms, regardless of size, on the accounts of smaller companies. Some of the smaller companies saw the audit as a costly and unproductive necessity and look for the cheapest one available. Not surprisingly, there is a perception that work done for smaller clients can be poor.

The real problem appears to be that some clients are prepared to drive down the price of an audit because they do not particularly value its quality. "It is important for the future of the profession that the emphasis is shifted from price to quality," concluded Miss Elizabeth Llewellyn-Smith, principal of St Hilda's College at Oxford University, who headed the report team.

The working party even found some examples of promotional material for very small clients offering price cuts of 30, 40, or even 50 per cent compared with the current fee. The Llewellyn-Smith report quietly suggested that the institute look at ways of changing the way the audit is perceived.

Touche Ross, one of the Big Six accountancy firms, has cut its management consultancy arm's staffing by 10 per cent. The firm said that 27 people had been made redundant while 23 had moved to other parts of the firm or had taken jobs with clients. A spokesman said the market now required consultants to implement advice as well as provide it. This meant that staff with more "traditional" consultancy skills had left. The firm is also restructuring in preparation for its consultancy arm to join a new separate global consultancy firm.

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THIS WEEK

Fielding teams to maximise the score

DATELINE

Washington: The geographical mobility of city sports teams has little to do with the fans, writes **Jurek Martin**

The Washington Post will be lighter than usual this morning because the Redskins had yesterday off. Actually, if Jack Kent Cooke, owner of the football team, has his way, the Post might be permanently lighter on winter Mondays because he wants to move the team out of the city – admittedly not far, to the Maryland suburbs, but still out of the stadium which bears ths hallowed initials RFK.

On the other hand, 40 miles down the road, the Baltimore Sun – so strapped it recently closed down its afternoon edition – can expect fat Monday papers from next year. Having lost its football team, the Colts, to Indianapolis in 1984, the city is getting ready to welcome – lawsuits and other minor considerations permitting – the Cleveland Browns, whose owner, Art Modell, rather fancies his side playing in the brand new field that Baltimore has promised to build and make available rent free, and with $75m of moving expenses thrown in (well, football players are big).

If most of the world is exercised by the trade in players to the point thet even the European Court of Justice has abandoned its fascination with German shopping hours to become involved, the land of the free has become consumed by the trade in teams. It is something which cuts across all sports. Even baseball's new World Series champions, the Atlanta Braves, previously called Milwaukee and Boston home.

Yesterday's football schedule makes the point. Teams included the aforementioned Indianapolis Colts (ex-Baltimore); the Oakland Raiders (back home after some years in Los Angeles); the St Louis Rams (in Los Angeles last year); the Arizona Cardinals (ex-St Louis); the New England Patriots (ex-Boston proper) and two sides that did not even exist last season, the Carolina Panthers, out of Charlotte, and the Jacksonville, Florida, Jaguars.

Next year the odds are on the Houston Oilers moving to Nasbville, Tennessee, where they will presumably be called the Countrymen, or perhaps the Oprys. And there could be a double-whammy loss for Houston, because its baseball Astros could end up in a suburb of northern Virginia, if not next year then soon. This would be a part substitute for the Disneyland that the well-heeled horsey set did not want sullying their rolling hills.

So, this is a highly mobile society. What else is new? Well, this trade in teams shows the continuing attraction of Florida and most of the Sunbelt, excluding Los Angeles, as well as Houston, which clearly made a terrible mistake in staging the awful Republican convention in 1992.

By thet yardstick, San Diego, next year's host city and home to three professional major league sides, had better watch out.

The lure of the west coast is not exactly what it was in the 1950s when it first seduced baseball's Brooklyn Dodgers and New York Giants out to Los Angeles and San Francisco respectively. The city by the bay nearly lost its footballing 49ers years back, and its Candlestick stadium, which Willie Mays and Joe Montana once graced, has swapped its name for money and is now called, forgettably, 3-Com Park.

The hold both of baseball and football on Seattle is tenuous, especially now that its good citizens have refused to vote the funds to build a new indoor stadium to keep out the rain (the old one leaks and tiles keep falling off its roof, endangering valuable centre-fielders and wide receivers, not to mention spectators).

On the other hand, the great old rustbelt cities are experiencing a measurabla renaissance, led by Baltimore and, Art Modell notwithstanding, Cleveland, and both because of lovely new downtown baseball parks. George Steinbrenner, owner of the New York Yankees, keeps talking about moving out of that venerable stadium in the Bronx, but he would be lynched if he tried.

The Boston Garden may be no more, but its replacement threatens to be comfortable and have sanitary toilet facilities, increasing the city's growing status as a place to work and watch play. That is good for Boston, hit as hard as any city by the real estate debacle of the 1980s.

The problem with this natural justice hypothesis is that it has nothing to do with reality. Whatever owners may say about the attractions and/or shortcomings of cities, they move their sides for base and/or good pecuniary reasons, with scant consideration for those who fill the seats or, as in political Washington, indict their neighbours on racketeering charges to acquire a season ticket. The Cleveland Browns, for example, have not been a great team since the 1950s, but sold out most Sundays whatever the weather.

What is more, urban officials are more than willing participants in the process. Governor Parris Glendening of Maryland had never shown much interest in housing Jack Kent Cooke's Redskins, but he knows that tha state's political power base lies in Baltimore and was able to put together in a trice a package of incentives to lure the Browns to the city centre.

Still, for every loss there is a gain. The football Bengals of Cincinnati could be headed for Cleveland soon. In this great global marketplace, the UK's own Watford should seriously consider Cincinnati.

PEOPLE

Ayling takes the controls

Michael Skapinker talks to BA's new chief executive

As a teenager helping out in his parents' London grocery shops, it never occured to Robert Ayling thet he might one day run a company as large as British Airways.

The Aylings believed in working for themselves – or they did until the business collapsed when Robert was 15. He was taken out of public school and sent to work as a solicitors' clerk. For a time he regretted not having gone to university.

"It was a real loss because all my friends were at university and there was a sense of having missed ont," he says. While his friends were doing A-levels, Ayling was taking his final law examinations. "One grew up rather quickly," he says.


Robert Ayling gets set to rid BA of last public sector attitudes

By the age of 24, he was an equity partner in a City law firm. Looking for something different, he moved to the Department of Trade, rose to become legal under-secretary, and caught the eye of BA. He joined the company in 1985, two years before it was privatised. After a variety of senior jobs he was appointed managing director in 1993. A youthful-looking 49, he becomes chief executive in the New Year.

BA is one of the most respected and profitable airlines in the world, but Ayling thinks it could be better. One of his priorities will be to rid BA of what he sees as the last vestiges of its nationalised industry culture. Is there a paradox in a former civil servant being irritated by the public sector residue at BA? "I don't really see myself as a public sector person because I started in the private sector. That's where my most impressionable years were, in the City," be says.

BA's public sector traditions live on in the refusal of many managers to take responsibility, be says. He recalls a meeting be once called to find out why the lounges at Heathrow airport's terminal four had not been finished.

He asked the meeting who was responsible for the lounges. Nobody answered. Finally, one of those present raised his hand. Ayling knew he was not the person responsibls, but when progress was made on the lounges he made sure the manager who raised his hand received the credit.

Do people refuse to take responsibility because they fear punishment if they fail? "The paradox here is that people are not punished. Not only are they not blamed, they are not praised either."

A problem with BA is that there are too many meetings, Ayling says. Bnt the reason BA managers have so many meetings, he believes, is not just to avoid taking responsibility. It is because they want to find out what is happening.

If managers find it hard to know what is happening, it is even more difficult for employees lower down. Last week provided two examples of BA employees not getting the company's message. Staff at Heathrow's terminal one briefly walked ont when they discovered students with foreign language skills had been brought in to help deal with passengers. Ayling says staff members had been told six months ago that the students would be employed. The idea was to speed up check-in procedures, which would have benefited both passengers and staff.

"But the message was still not very convincing for people on the front line. That can only be because the system of communication is not what it should be," Ayling says.

The second lapse was over a black British passenger who discovered that BA staff had photocopied his passport. BA said its staff had behaved wrongly. Because governments fine airlines heavily if they transport passengers without valid travel documents, BA photocopies passports from countries whose citizens might seek asylum somewhere else. This clearly does not apply to black UK citizens and Ayling had to apologise.

How will Ayling get BA's message to employees? By talking to them directly, he says. Even in a company with staff scattered around the world, television and satellite technology make it possible for all employees to receive news directly from the executives at the top.

Ayling says: "We should not use the written word. Nor should ws have managers cascading information to one another, which inevitably means that the message that's communicated is not the one you started with."

NAMES IN THE NEWS

Larsen nudges J&J toward a more assertive style

Ralph Larsen, chairman of Johnson & Johnson, has just done something deeply shocking, writes Richard Waters in New York.

The boss of the famously conservative healthcare and consumer prodncts giant last week forced Cordis, a far smaller US healthcare company, to bow to an unwanted $1bn takeover. It was the first hostile acquisition in the New Jersey group's history, and quite possibly a sign that J&J under Larsen is changing its style.

A career J&J man, Larsen, 56, has never cowered from making the tough decision. A decade ago, he urged the group to sell a division of which he had just been given charge, a move that threatened to leave him jobless. And soon after becoming chairman in 1989, he pushed through a round of job cuts that seemed to signal a change in the company's paternalistic style.

"To be a success in today's competitive environment, you have to be tough-minded," he said at the time.

Larsen began his working life at J&J 33 years ago and has been there ever since, save for a brief mid-career break at Becton Dickinson – the same healthcare company that nurtured Merck's new chairman, Ray Gilmartin.

Though analytical, even clinical in his approach, Larsen does not work by dictat: rather, he has nudged and steered J&J's many businesses in the direction he wants them to move.

The hostile move on Cordis echoes that approach. From the outset, Larsen offered the company the carrot of a higher price if it accepted J&J's overtures, then brandished the stick of a proxy battle for control of the company's boardroom. Eventually, Cordis accepted the higher price.

Viag's political fixer

Old habits die hard at Viag, ths Mnnich-based diversified industrial conglomerate, writes Michael Lindemann in Bonn.

Not only is the Bavarian government still the company's largest single shareholder, with a 25.1 per cent blocking minority stake, but Viag has just appointed Georg von Waldenfels, until recently Bavaria's finance minister, as the new board member to oversee the contacts with the political establishment.

The appointment caused a furore in Munich, where the opposition Social Democrats in the Bavarian state parliament claimed that as finance minister Waldenfels gave Viag a tax break when it took over the Bayernwerk utility last year.

The discussion became even more heated when it emerged that Waldenfels would earn about DM700,000 ($500,000) annually in the post and had refused, initially, to give up his seat in the Bavarian state parliament. He has since been persuaded to do so.

Viag meanwhile insists that other German companies have similar political lobbyists, even if they are not as explicitly identified.

Waldenfels will certainly have his work cut out in the new job. Viag is one of Germany's 10 biggest companies in terms of sales, and in its core businesses – electricity, packaging, chemicals and transport – tha real money is to be made outside Germany.

Waldenfels, who also used to be Bavaria's minister for European affairs, will be expected to ensure that Viag gets a proper hearing in Brussels and develops the right strategy for its expansion in Asia and other developing markets.

FT GUIDE TO NEW MEDICINES

Medical researchers are becoming more and more excited about the remarkable growth in scientific knowledge about human health and sickness. They have discovered thousands of genes which can cause disease when they go wrong, and the biochemical workings of the body are understood in astonishing detail.

But where are the practical applications? When can we expect new drugs to solve our greatest health problems, such as cancer and Alzheimer's disease?

Be patient. Remember that on average it takes about a decade to steer a new drug through the development process, from discovery of the molecule to large-scale clinical trials.

And for the most intractable problems, including degenerative brain diseases, several more years of basic research are required before the drug development process can start. There is no realistic chance that a cure for Alzheimer's, for example, could be on the market in less than 20 years.

Medical researchers and the biotechnology industry are not always so cautious, are they?

Soma scientists *do* become too enthusiastic about their own projects. And most biotech companies expect to lose money for several more years as they fund research and development without having prodncts on the market. They tend, therefore, to exaggerate their prospects in order to keep investors sweet.

Can we at least trust the establisbed pharmaceutical companies to be bonest?

Well, they hava no reason to talk up the potential of their long-term research. But the big companies sometimes allow their marketing departments to describe new drugs in terms which – while accurate enoogh to comply with regulations – give doctors and patients tha impressinn of a breakthrough when they are really only a marginal improvement.

Where should we be looking for real breakthroughs in the near future?

In areas where there has already besn good progress in recent years, and where the disease process is already quite well understood. Here the extra knowledge given by human genetics will maks an impact relatively quickly, when combined with powerful new pharmacentical research techniqnss anch as high-speed screening of candidate drugs.

How about some examples?

Cardiovascular drugs – to control the heart and blood supply – have improved greatly over the past decade or so. Doctors can now offer good treatments for problems such as high blood pressure, chest pain, excessive cholesterol and the consequences of a heart attack. Pharmaceutical researchers will build on this with new drugs to treat unsolved cardiovascular problems such as stroke.

A slightly different example is asthma, where drugs now do little more than relieve symptoms. A molecular understanding of asthma should lead to superior drugs that treat the underlying disease.

Any chance of a cure for cancer?

Yes and no. Cancer is not one disease but a collective term for many different disorders characterised by an uncontrolled proliferation of cells.

As the various genetic causes of cancer are discovered, researchers will be able to intervene in an increasing number of cases to stop the process and bring about a "cure".

Other cancers will remain recalcitrant. Of today's big killers, prospects look brighter for bowel and breast tumours than for lung and stomach cancers.

Is the pharmaceutical industry doing enough to bring us the benefits of the new biology?

The world's drug companies are spending as much on R&D as anyone could reasonably expect: abont £20bn ($31.6bn) a year between them.

As a proportion of sales, that is as high as any other hi-tech industry. And many companies intend to maintain or even increase R&D bndgets in the years ahead, while taking action to improve productivity and harness R&D more closely to the marketplace.

But hasn't Glaxo Wellcome just taken ruthless action to cut its R&D workforce and close its UK researcb centre in Beckenham, Kent?

Yes, Glaxo Wellcome, the world's largest pharmaceutical group, said last week that it had cut 1,800 of the 11,500 R&D jobs inherited from Glaxo and Wellcome in this year's merger.

At the same time, bowever, it said it would maintain its R&D budget at £1.2bn a year by spending more on automation in-house and on external collaborations. Its productivity target is a three-fold increase within five years in the rate at which it launches important new drugs.

Even if the drugs industry is doing as much research as we have a right to expect, can we be sure its efforts are being directed in the best way to benefit buman health?

No. Obviously each company is trying to develop drugs that will produce the highest commercial returns. And under present pricing systems the return is likely to be lower for a quick cure than for a long-term maintenance therapy thet keeps symptoms under control without solving the underlying problem.

There is an argument that governments and health services should change the system to give companies more incentive to cure diseases, and to work on priority projscts, such as finding new ways to kill bacteria that are becoming resistant to today's antibiotics.

But we must not expect too much. Some biological processes, such as ageing, will remain inevitable and irreversible, bowever mnch research we carry out.

Clive Cookson


Medicinal value: Many companies intend to boost their R&D bndgets

FILM/VIDEO


Institute Benjamenta: Quay Brothers' surreal touch offers food for thought

■ You may not like the sound of ths French film *La Haine*. It is about violence, delinquency and living on the breadline – all the things we get enough of at home without wishing to re-encounter them on the Paris streets.

But Matthieu Kassovitz's movie is the best French debut in years. His black-and-white camera turns the city's suburbs into a nervy purgatory, while his central trio of mixed-ethnic youngsters – a Jew, an Arab, a black African – show that in some parts of France racial difference is no bar to brute criminal solidarity. This is a Frencb *Boyz 'N' The 'Hood* but without the preachiness or melodramatics.

Even Hollywood, pre-Christmas, is giving us a rest from those. *Tommy Boy* is a modestly praised comedy starring two ex-Saturday Night Livers. And Alfonso Aran's *A Walk In The Clouds*, from the director of *Like Water For Chocolate*, gives us Keann Reeves and lashings of magic realism in 1940s California. Lovely to look at though less plot and more point might have helped.

You could also explore curio corner. *Institute Benjamenta* is the eagerly awaited feature debut of the Quay Brothers, the macabre surrealist animators. And *Exquisite Tenderness* has Charles Dance and Malcolm McDowell going mad in a blood-spattered hospital.

□ Still time to catch two good movies at the London film festival. Wayne Wang's *Smoke* teams Harvey Keitel, William Hurt and screenwriter Paul Ansten in a Brooklyn-set comedy, while Stanley Kwan's *Red Rose, White Rose* is a dazzling story of doomed love.

■ Time, too, to fast-forward through the week's principal video, *Rob Roy*. Skip the boring bits with Liam Neeson. Be amazed at Jessica Lange es Mrs Roy – Greek tragedy visits Scotland – and Tim Roth in fine form as the English villain.

Nigel Andrews

MUSIC

■ The songmasters of Sqneeze, Chris Difford and Glen Tilbrook, must have felt they were banging their heads against a wall as they brought out a succession of catchy, tuneful singles at a time – during the 1970s punk explosion – to which they were never really suited. But the dominance of Britpop and the impending wave of Beatles revivalism gives them a perfect context for their new offering. *Ridiculous* (A&M) has plenty of the strong hooks which makes the band's best work such fun to hear.

□ It sounds like one of those collaborations which could have ended in a pretentious mess: André Previn providing the music, Toni Morrison the lyrics and Kathleen Battle the voice. In fact, *Hue and Cry* (Deutsche Grammophon) is a moving work, not quite "classical", not quite jazz, and beautifully sung. The work is paired with Samuel Barber's *Knoxville: Summer of 1915*, and a couple of Gershwins from *Porgy and Bess*.

■ It is hard to remain objective about Queen's *Made In Heaven* (EMI Parlophone). Singer Freddie Mercury knew of his impending death when the album was being recorded, but insisted on laying down some of the vocals. He certainly sounds in fine form, and the four-year wait until the album's release is a testament to the care taken in polishing the final product. It is essential for fans, and even nentrals will find the combination of Mercury's lyrics and the circumstances under which they were written resonant.

□ Stevie Wonder's latest, *Natural Wonder* (Motown), is a double live greatest hits album, recorded in Osaka, Japan. The versions are no more than competent, and cynics will ask how this talented man went from "Higher Ground" to "I Just Called to Say I Love You".

Peter Aspden

هكذا من الاصل

MEDIA FUTURES

Dialup rattles the phone companies' cage

Tim Jackson

Call anywhere. Talk forever. Never pay loog distance. This is the slogan of a service that sounds *too* good to be true: international phone calls, carried over the Internet, that are completely free or cost no more than the price of a call to a friend around the corner.

The idea of Internet telephony will not be new to FT readers, for it was mentioned in this column last May as the last of a list of four threats to the profitability of the world's telephone companies. But something has happened in recent weeks that has suddenly made the threat more grave and more immediate, and consequently far more exciting for consumers.

The story starts with the fact that speech can easily be turned into data, just as pictures, numbers, text and music can. And once it has been digitised, a voice signal can be treated like any other piece of data. It can be stored on a diskette or CD-Rom or in the memory of a PC, and it can be sent over the Internet in a fraction of a second.

Two years ago, a former Israeli army engineer called Elon Ganor ooticed that this presented an extraordinary opportunity. To make international calls across the Internet, he reasoned, you would need a PC, a voice-enabled modem, a "soundcard" allowing the computer to record sounds and play them back and an Internet connection.

This may sound a long list. In fact it is the standard configuration of what is now known as a multimedia PC. More than 1m people already have this equipment in their homes.

Ganor's New Jersey-based company, Vocaltec, launched a software package last March that would allow people to use their multimedia PCs as Internet telephones. The package was an impressive technical achievement. To make it work, Vocaltec had not only to develop a revolutionary approach to compressing and encoding the voice signals, but also to make it work with the Internet's existing standards.

Since March, Vocaltec has followed the sales tactics that made Netscape famous. It gives away a free trial version of the software to anyone who chooses to download it from the Internet, which limits the duration of calls to one minute.

The initial release of IPhone, as the product is known, had two drawbacks. One was that it did not allow callers to talk and hear the other party simultaneously. To have an orderly conversation, they had to say "over" at the end of every sentence. This problem was remedied in the summer, with a new release of the program for use with "full-duplex" modems that allow simultaneous recording and playback.

The second drawback was more serious: IPhone allowed callers to talk only to people already logged on to the Internet. This meant that conversations had to be scheduled in advance, or arranged by making a quick international call.

People without the necessary gadgetry could thus never receive incoming calls. As a result, even the greatest enthusiasts would be able to replace only a small proportion of their international calls with the Internet service.

Despite these drawbacks, some 10,000 peopla downloaded IPhona during its first week on the market. Yet the world's telephone companies remained sanguine. Their calculation was that if only 1 per cent of international callers had IPhone, and they could use it for only 1 per cent of their calls, their own call revenues would fall by only 0.01 per cent.

Last month, that calculation was shown to be premature. A group of programming eothnsiasts, *enthralled by the fact that IPhone* oow has 600,000 users and horrified by the high price of international calls, started working on a system that would allow IPhone users to make calls to any telephone in the world.

Here is how their system works. Instead of just playing the incoming speech through its loodspeaker, the computer receiving an IPhone call picks up the phone on e separate line and dials a local call. Once the connection is established, it patches the incoming Internet call oo to the outgoing local call. Result: a phone call between the IPhone user and an ordinary phone subscriber. The venture, called Free World Dialup (*http://www.pulver.com/*), made its first successful call on October 17 between Tokyo and Jakarta. A beta version of the software is expected by November 22, and a working *commercial launch next spring.*

Problems may arise with pricing. World Dialup can only be free when the receiving computer pays nothing for making an outgoing local call, which is rarely tha case outside the US. If it is *not* free, some way must be found of compensating the computer owner for the pennies that each local call costs. The service also raises legal issues. Jeff Pulver, the Wall Street analyst who is behind the venture, believes that its status as a non-commercial test makes it legal in the US. Elsewhere, such as in Britain, offering such a *service is almost certainly* illegal. "It will be interesting to see how [phone companies and regulators] react to this oew development," says Pulver.

But pbone companies may find that Free World Dialup is unstoppable. All it needs at the receiving end is an off-the-shelf multimedia PC and two phone lines – so a service could be maintained entirely by private individuals while siphoning off a growing proportioo of interna*tional call traffic.*

It is far too early to make predictions, but I cannot resist doing so. Six months from now, 10,000 international calls a day will be made using the Free World Dialup approach. A year from now, phone companies all over the world will see it as one of their biggest regulatory coocerns. Two years from now, the system will start to have a material impact on telephone companies' call revenues.

● *Tim Jackson can be reached at Tim.Jackson@pobox.com*

Cyber sightings

by Stephen McGookin

● Touche Ross (*http://touche.gbnet.co.uk*), one of Britain's leading accountancy firms, has established a site on whicb tax experts preview the UK's November 28 Budget. A complex, graphic-rich home page takes a while to load, but once you're in it looks good, with a simple button format. Hot Topics has a release on the EU capital adequacy directive. Good stuff.

● MSI Global Inc (*www.msiglobal.com*) provides research on global investment opportunities: a nice site which is very straightforward and hints at the extensive services available for registered clients.

● A basic gopher has recently been set up (*gopher://gopher.imf.org*) which gives access to International Monetary Fund publications, press releases, working papers, speeches, directories and survey details, plus some pretty solid research material.

● The Harvard Journal of Law & Technology (*http://fas-www.harvard.edu/ ~wlaf/hjolt.html*) is a great source of current research in this cutting-edge area. It includes details of upcoming events, plus an excellent selection of legal, government and academic sites. (The current address is temporary, since Harvard Law School's computer system is being upgraded. When the site moves, a forwarding link will appear at this site.)

● US News and World Report (*www.usnews.com*) is the online version of the popular American news magazine. Well presented, with good graphics, the latest issue features a story on business on the Net, a guide to mutual funds and an interview with black-activist leader Louis Farrakhan.

● Details of the upcoming Osaka conference on Asia-Pacific economic co-operation are available at *http://opec.tokio.co.jp*. The service is provided by the Japanese ministry of foreign affairs.

● The US department of energy's fossil energy Web network (*www.fe.doe.gov*) is a good stopping-off point for anyone in the resources sector. Good news updates, calendar of events aod background information on US fossil energy programmes. Very detailed, but well laid out and easy to use.

● Anglian Water (*www.anglianwater.co.uk/aw*) has produced a nicely presented site with good environmental information as well as details of company and industry projects. It looks good and is simple and effective. The US Association of Water Technologies (*www.awt.org*) also provides some worthwhile links.

● Nautica Online (*www.mclink.it/nautica*) is a monthly yachting magazine, available in English or Italian, with a terrific range of information for sailors, from updated satellite weather images to the laws of the sea. Navigation simulators and an index of nautical classified ads are also available.

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Financial Times on the World Wide Web
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Games without frontiers

The online games sector is set for take off, writes **Richard Vadon**

The Internet is still growing furiously. Yet some companies are already anticipating the next generation of online communications services, such as video-on-demand and video games that offer entertainment and interactivity.

Video-on-demand is being trialled in Europe, Asia and the US, and is still a little way from becoming a commercial reality. However, online video gaming services are up and running in the US, and big hitters such as international telecommunications giant AT&T and News Corporation, Rupert Murdoch's media group, are entering the fray.

Indeed, research by Jupiter Communications, the US consultant, predicts that online gaming will become a $1.3bn business in the US by 2000.

Playing games against unseen rivals who may live hundreds or thousands of miles away is not new – postal chess has been played for more than a century. But computers, which released people from having to find other people to play games with, are now bringing them together to play games in cyberspace.

The games themselves are only part of what makes online gaming enjoyable, for the players become part of a virtual community. All the US gaming networks report that players often log on just to watch others play, or to hang out and chat. Generally, online gamers tend to be older, smarter and richer than computer gamers.

There is only a limited online gaming industry in Europe. But in the US things are moving fast, even though no-one is really clear how the market will develop or how best to deliver services. As a result, the leading US services – Catapult, AT&T's ImagiNation Network and Simutronics Corp – are taking different routes into the market.

Catapult is offering what almost amounts to a dating service for players of existing multi-player console and personal computer games such as Doom, Mortal Kombat and Streetfighter. Its service connects two players, keeps track of their scores and allows them to send e-mail and chat messages to each other.

Owners of PCs can already do most of this with direct modem-to-modem gaming. What makes Catapult stand out are the modems it has designed for consoles, which run at only 2.4 kilobits per second but allow full-speed real-time gaming because the only data sent are the joystick moves. The e-mail and chat services are so popular that Catapult sells keyboards for the games consoles too.

Simutronics uses online services such as America Online, Prodigy and GEnie to distribute its games, which range from graphics-based, arcade-style shoot-outs to text-based adventures. Simutronics' most popular game, Gemstone III, is a text-based, role-playing game. It is three times as popular as any of the company's other games, and players spend an average of $85 per month indulging in it. Neil Harris, Simutronics' vice-president, thinks it is a success because its players think of Gemstone as a place to visit rather than a game.

AT&T launched its gaming service, the ImagiNation Network, more than a year ago. It is a direct-dial service where users log on to ImagiNation computers to play a variety of multi-player games in different virtual worlds, ranging from fantasy role-playing to sports simnlations. Traditional games such as bridge are also available – the US bridge team uses the ImagiNation Network to prepare for tournaments. ImagiNation customers spend about a third of their online time chatting or dealing with e-mail.

In the UK, British Telecom has announced the launch of a service called Wireplay, which should be fully operational by next summer. The company is taking the dating agency approach, offering customers a chance to play games they have on their own PCs against opponents connected by BT. Charges will be on a pay-as-you-play basis, with no subscription fees.

BT is negotiating with software developers to include the Wireplay access software within its games, and will introduce a special tariff for Wireplay calls which will also be available for other gaming operators. BT is not allowed to cross-subsidise its services, even to encourage use of the phone network. As a result, Wireplay has to demonstrate to Oftel, the UK's telecoms regulator, that it is a stand-alone business.

The online services networks eventually hope to access the global audiences that the Internet offers.

At present, gaming via the Internet is limited by the constraints of the system. There is no animation or sound, and there can be long delays while pages load. Many games that are entertaining on a high-speed Internet line are just not worth it with a 28.8kbps modem because of the amount of graphical information that needs to be sent. The best games on the Internet side-step these disadvantages and play to the Internet's strengths: interactivity and sense of community. Delphi, part of News Corporation, produces some excellent Internet games. Its newest and most advanced game is Netropolis, a kind of corporate Monopoly in which players compete by running businesses. You lose if you go bankrupt, get caught playing too many dirty tricks or fail to participate for 96 hours.

The game has been a great success, which inevitably means the server has been overloaded. Gaming via modems can be slow but Delphi wants to make its game more efficient by giving Netropolis its own graphical front end, so graphics do not need to be downloaded. All Delphi's games are free via the Internet; Chris Thomajan, Delphi Europe's vice-president, says Delphi is studying "revenue models". He believes Delphi's games work on the Net because they have a "wicked spin" in keeping with the Net's spirit.

How quickly online gaming grows will depend, in part, on the costs of access and service. In the US local calls are free, so customers only have to pay for the service. European customers have to pay for calls, and this will no doubt hinder growth. Eventually, however, online interactive gaming could become a pretty stella affair.

First among equals

Paul Taylor on an Internet provider with a deal it hopes will put it at the head of a crowded field

Computer users wanting to join the Internet for the first time face a bewildering choice of service providers and software packages. Indeed, a report by Durlacher, a London-based broker and analyst, estimates that there are up to 95 Internet service providers in the UK alone.

Many of these are small operators reselling capacity acquired from a handful of primary Internet service providers such as Unipalm's Pipex and Demon Internet, which operate their own networks and transatlantic links.

Breaking into a market which is already showing signs of consolidation is a tongh challenge, but one Global Internet, a new west London-based primary Internet access provider, believes it can crack.

Rather than depend on the communications infrastructure of others, Global Internet has established its own transatlantic links from the outset. "We wanted to sit on the 'top table' right from the start," says Laurence Blackall, Global's founder and managing director.

The company aims to provide both home and business PC users with "the fastest, easiest and most economical way to access the Internet", and is offering a comprehensive software package called Total Internet for £34.99, coupled with access to the Internet for £7.50 a month. This undercuts many of its rivals.

The software suite contains 23 different programs. These include Eudora, the e-mail package; a World Wide Web browser called Super Mosaic 2.1; a WWW 'Yellow Pages' directory; and Internet Phone software, which enables users to make telephone calls over the Internet.

Jan Murray, a non-executive director of Global and the PC World superstore pioneer, says: "Despite the burgeoning interest in the Internet, it is still difficult for many non-professional PC users to access and use this technology. At Global Internet we are offering an extremely simple-to-use software product and service."

Blackall adds that the Internet is fast becoming "one of [today's] most important forms of communication. The market is being driven by innovative and creative multimedia content and falling hardware prices". He says most of the best-known high street retailers have recognised the Internet as an extremely powerful medium for reaching the 18-35 age group. "With 65 per cent of all households forecast to own a PC by 2004, I think PC users without an Internet connection will become a rare breed."

Samaritans cross over to offer online help

Abont 4,500 people commit suicide in the UK alone each year, though the British government has set itself the target of reducing that figure by at least 15 per cent by the end of the century.

As the Internet has expanded, observers warn that the isolation and detachment that can characterise heavy use of the Net increases vulnerability and the risk of suicide. Novelists have produced nightmarish plots in which individuals' entire lives are conducted online.

"Internet users fit the georal profile of classic high-risk groups," says Mark Segal, exteroal relations director of Befrianders International, the worldwide parent of the Samaritans, the counselling group.

Research shows that men aged between 16 and 35 – a group which covers the highest proportion of Internet users – are particularly at risk, and Befrienders International recently expressed concern that in the UK suicides among young men have increased by more than 70 per cent in the past 10 years.

In response, the Samaritans started an e-mail counselling service in the UK this summer, since when it has dealt with about 1,300 contacts, a high proportion of which expressed suicidal feelings.

Now, with funding from telecoms operator Cable & Wireless, Befrienders International is planning to take its electronic advice service worldwide. It hopes to extend the service to the US, Australia and Japan, where the aim is to develop a Japanese-language version, and Hong Kong, which will initially receive ao English-language service.

Apart from a basic computer knowledge, no special skills are required for Samaritans operators who respond to e-mail messages, as distinct from the volunteers who deal with contacts by phone. "The special skill comes in the befriending," says Segal.

But he acknowledges that Internet culture is, by its nature, forthright and direct in its language and relationships.

"When people are talking, they might ramble for hours. But in e-mail they are stunningly blunt. The pain and distress is just written down in front of you."

Phone calls to the Samaritans are never tape recorded, and the e-mail correspondence will ba retained only for 30 days before being destroyed. The advantage in this, says Segal, is that when operators come on duty they can review the previous correspondence quite quickly, which might help them to deal more effectively with people who contact them again.

It is also possible for callers to retain their anonymity by routing their e-mail through an anonymous server. If it is thought appropriate, operators can encourage callers to use the phone.

"We're not saying that one means of communication is better than any other," says Segal. "But the Samaritans want to respond to the way people choose to communicate."

The Samaritans' e-mail helpline can be reached at *jo@samaritans.org*

Stephen McGookin

MANAGEMENT

Kevin Lavery examines a model which enables small cities to take tighter control of their services

California's contract example

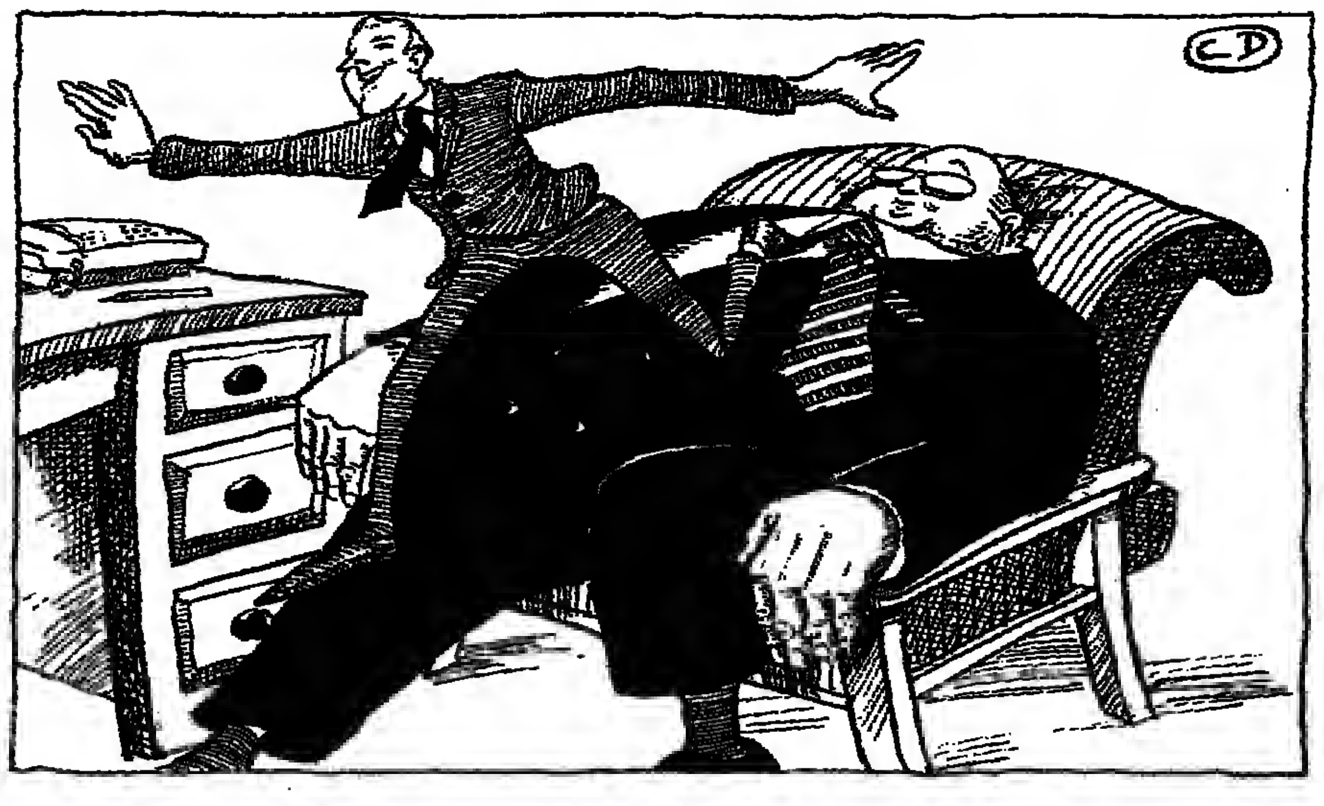
Inside every fat and bloated local authority there is a slim one struggling to get out.

So said Nicholas Ridley in a celebrated late-1980s attack on the state of English local government. He was particularly fond of lauding a council in California which had no employees, and where the councillors met once a year to review their contracts. He clearly saw it an ideal type to which England's councillors should aspire.

At the time many in the UK found such ideas hard to believe. Yet such councils do exist and have a long history. They are the California contract cities.

In the US context, contract cities are not unusual in contracting for services. US local authorities have been contracting for well over a century. Their uniqueness lies in providing an alternative model of local government, based on contracting as a way of life. They tend to be small cities – a typical contract city will have a population of around 50,000, employ few staff and contract for virtually all its services.

These include "easy to contract for" services such as street maintenance and refuse collection, but also services regarded as sacrosanct in the UK – policing, fire, libraries and a wide range of aupport services.



The first contract city was born in 1954 when Lakewood was incorporated as a city government. At the time Lakewood was a growing suburban community of 70,000, some 20 miles south of Los Angeles and adjacent to Long Beach. It was an "unincorporated" area – it had no city government. Local services were provided by the County of Los Angeles, such as policing, fire and road maintenance. Local taxes were low and residents wanted it to stay that way.

City governments traditionally provide a higher and wider range of local services than counties – such as recreation, landscaping and arts and cultural programmes – and levy higher taxes. In Lakewood, residents had spent years fighting attempts by the City of Long Beach to expand its boundaries into its area. They did not want to be swallowed by the "Big Brother Long Beacb", but at the same time could not afford to set up their own local authority.

Moreover, both the political leaders and workers of Los Angeles County wanted the county to retain its role as a major urban government to the millions of people who lived in unincorporated areas like Lakewood. Jobs and political careers were at stake.

The idea of creating a contract city in Lakewood was a novel marriage between county interests and local residents. Lakewood would become a fully fledged city but would contract with the county for its services. In particular, Lakewood contracted with the county for police, public works, recreation and various professional services. Special districts were established to provide fire and library services with County workers supplying the services.

As a result Lakewood was able to establish its own government but did not have the high setting-np costs that normally accompany incorporation. In the early years Lakewood employed ouly three staff: an attorney, a city manager and a secretary.

Other unincorporated areas threatened with annexation soon followed the Lakewood lead. In 1957 the California Contract Cities Association was established and by 1970 there were 32 contract cities. Today 116 of California's nearly 500 cities are contract cities. A new form of local government had been created, known as the "Lakewood Plan".

The Lakewood Plan has changed over time. Contract cities no longer contract exclusivity with the county, but also with a variety of suppliers, from the private and voluntary sectors as well as the county. Soma have also set up in-house service providers. Lakewood uses city staff for tree trimming, parking control, town planning, financial and personnel services. It now employs around 160 of its own staff for its resident population of 80,000.

Thare are fundamental differences between contracting by Lakewood Plan cities and UK local authorities. These include:

- **Complete versus partial and multiple contracting.** UK local authorities often contract for an entire service with one supplier. Contract cities regularly contract out either part of a function, retaining some in-house capability or they contract with more than one supplier. This is because they want to guard against the dangers of relying on a monopoly supplier.
- *Flexibility.* Lakewood-style contracts tend to be more flexible than their UK counterparts. For example, it is usually possible to extend a contract without going through formal competition for many years. It is also possible to terminate a contract at ahort notice.
- *Sacrosanct services.* Contract cities do not hesitate to contract for core services regarded as sacrosanct to the public sector in the UK, such as policing, legal services, and the entire city engineer's function.
- **Inter- versus intra-governmental contracting.** Many of the contracts are with other governments. The scope for such "cross-boundary tendering" is currently limited in the UK.
- **Ideology and home rule.** Decisions on contracting in California tend to be made on pragmatic rather than ideological grounds – "we'll try it if it saves money". There is no compulsory competitive tendering and cities are proud of their "home rule". They decide which services they will provide and how, as well as their form of government – how many politicians there should be; wbether to have an elected mayor, and so on. These are not seen as legitimate issues for the state or federal governments.

In other words, the Ridley image of the private contract city is largely a myth. Contract cities exist, but they employ significant numbers of staff, provide some services directly and mnch of their contracting is with other public agencies. Moreover, their councillors meet more regularly than once a year – once a fortnight is the norm.

Nevertheless, most observers regard contract cities as a financial success. Per capita spending for basic city services by contract cities is less than half the level of their full-service counterparts. Yet crime rates are low and quality of life is at least as good as in service cities.

This explains why an increasing number of full-service cities now take contracting seriously. Tha contract city model also enables small communities to control their services without losing the economies of scale of large organisations.

This point should have informed the current reorganisation of UK local government. Unfortunately, the government'a preoccupattion was with structures, especially whether the two-tier structure should replaced by a system of unitary authorities. By separating structure from the way services are provided, they may have missed an opportunity to make local government more genuinely local.

Kevin Lavery is a senior consultant with Price Waterhouse, London. He spent 1994-95 as a Harkness Fellow in Los Angeles, and is currently completing a book on contracting for government services.

Benchmark in Southwark

Southwark might appear an unlikely venue for experiments with innovative management techniques. Controlled by the Labour party for decades, it is a long sliver of inner London, stretching from the south bank of the Thames through some of the city's poorest areas, such as Bermondsey and Peckham. It has the capital's largest stock of council houses, and on economic indices it is among the 10 most deprived boroughs in the country.

It therefore caused surprise in some quarters wben the first attempt to produce comprehensive benchmarks for Englisb councils' service to customers showed Sonthwark to be one of the best-managed councils in the country. Its housing department, in particular, was far better than the average.

For example, it took Southwark on average only 3.4 weeks to re-let a council property – the shortest time for any London authority apart from the small and non-political City corporation. Nearby Hackney took an average of 37.4 weeks.

Southwark processed 96 per cent of housing benefit claims within 14 days, making it faster than any other London authorities bar the City and Kensington & Chelsea, neither of which needed to contend with such levels of deprivation.

Auditors, startled by the results, speculated that Sonthwark must have subjected its housing department to some drastic management reforms. They were right. While the council is unlikely ever to attempt becoming a Californian contract city, it had overhauled its service instituting three main reforms:

- rigorous benchmarking;
- devolution of responsibilities;
- a management reorganisation to cut the number of senior staff and reflect an "enabling authority" rather than one designed to protect the interests of departments.

The change in managerial structure was implemented last year. According to Jeremy Fraser, the council's leader: "We had to balance the budget and decide quality came before protecting staff. That meant we had to break up the managerial system, which was based upon service delivery. It looked at departments. It didn't look at clients against contractors. We had to empower a lot of middle managers a lot further down the line."

The resulting cbanges, implemented with cross-party snpport after the last local elections, removed a qnarter of the senior management structure and halved the number of chief officers, from 10 to five, saving about £1m from the annual pay-roll – a benefit which allowed the council to soften the pain of this year's notoriously tight local government funding settlement.

Devolution of power has been most dramatic in the borough's housing department. This was divided into 19 nelghbourbood offices, with control vested in forums run by the local tenants' associations. The borough merely provides "support units" for them, while the tenants fix the budget "right down to the overtime the chief officer for that area spends".

They have a big incentive to find savings and to collect rent arrears as they are allowed to keep half of any funds they raise beyond their targets to put towards long-term arrears collection. The borough director of housing's job is merely to provida the monitoring and set targets – "more than enough pressure", according to Bob Coomber, the council's chief executive.

Performance indicators are used to police the newly freed housing departments. Each month the council supplies eacb neighbourhood with comparative statistics on how each is progressing towards its targets on a range of measures – numbers of empty homes, homes with squats, rent arrears, speed of replies to correspondence, speed of repairs, satisfaction with repairs and cleaning.

Each neighbourhood can see at a glance if it is improving, and whether it is up to speed with its neighbours. Performance is already levelling upwards, while the borough also now has the highest eviction rate in London. According to Coomber, local tenants' associations, seeing how mnch households in arrears are penalising them, are much more likely to take the ultimate sanction if necessary than rather more distant central housing directors.

All the comparative data have been made publicly available.

The council has also used other more orthodox measures to improve services. It voluntarily put its revenues services to competitive tender in 1993. While the contract stayed in house after the bid, the service was transformed into a separate group within the council which had to meet contractually set targets.

The result of these reforms is the council's spectacular performance in the Andit Commission's performance indicators. Southwark is happy about the positive publicity this has generated. But it is refraining from too many grand claims. As Fraser says: "There's no magic. The point is to get it done."

John Authers

FAST BOWLER

Devon Malcolm

Public humiliation appears to be out of fashion as a leadership device these days – unless you happen to be running England's cricket team. The furore provoked in South Africa by recent psychological assaults on the fast bowler Devon Malcolm by tour manager Raymond Illingworth and coach Peter Lever raises motivational issues which are relevant to modern business managers.

This weekend it was still too early to tell whether Illingworth's earlier comment that Malcolm had been written off as a test bowler, and Lever's jibe that he was a "nonentity" in cricketing terms apart from his pace, had provoked a badly needed return to form for the West Indian born England star. While sceptical of what one called a "dinosaur" leadership culture, however, management experts were careful not to dismiss the "Illytollah's" style.

David Whittaker, former England hockey player and Great Britain coach who runs Performance Consultants with the Olympic athlete David Hemery and racing driver Sir John Whitmore, says the biggest surprise for him has been the public nature of the row. "There are times during interactions between people when strong words are spoken, but the key question is whether the performer is ready to hear a strong message."

Sport and business are identical in that both require humans to give high quality performances: the issues are the same whether the time frame is a short one (as in sport) or long (for example in developing a successful salesman).

Sport is a particularly apt metaphor these days, adds Whittaker, because motivation is typically "intrinsic". In today's "downsized" business climate when companies are no longer able to bold out the promise of rich rewards and rapid promotion – the classic "extrinsic" motivators of the 1980s – managers need to find other ways to bring ont the best in their staff. Hence the new emphasis on encouraging personal development and trying to make people feel good about themselves.

David Moore, managing director of The Results Partnership, a London-based consultancy, believes empowerment is a winning style but he concedes that a "more rigid approach" may be necessary at some stages in a company'a evolution. "I don't think there is a right or wrong way. The drivers for change are usually external when the evidence of something like poor financial results demands a change of leadership and demonstrates that the old ways are no longer appropriate".

Moore's sporting case study is the Austrian national ski team, whose insistence on highly trained and physically fit team members once produced spectacular results but which no longer seems to be successful. "The wisdom of leadership is to recognise where your team is on the global stage, what its skills and abilities are, and tease out their best performance."

Tim Dickson

Five steps to being a chief exec

LUCY KELLAWAY

Dear Mr Andrew Teare,

Congratulations on your new job as chief executive of Rank Organisation. Bingo halls and Butlins seem a far cry from the business you know best, cement and minerals, so I thought I might presume to pass on some excellent advice I have just beard. Like all new CEOs you will be faced with a dilemma in the early days: should you go in shooting from the hip, or should you spend your first months observing and learning at the risk of losing momentum?

You should do neither! Instead you should ask five key questions: What are the basic goals of the company? What is the strategy for achieving these goals? What are the fundamental issues facing the company? What is its culture? And is the company organised in a way to support the goals, issues and culture?

And don't forget: Listen to what people say to you.

This advice comes from that seasoned manager Bob Bauman, ex-head of SmithKline Beecham, who has just revealed his secrets of success to students at London Business School. I hope they are useful.

I must admit that until I read this speech, I had no idea that the buslness of being a CEO was so simple as asking a few abstract questions and listening to the answers. That being the case I fail to understand why It took Rank a year to find the right person, but I supposa they know what they are doing.

Good Luck.

"Directories, Jane speaking," said the woman when I phoned up Directory Enquiries last week. I asked for a number, Jane found the correct one and handed me over to the computer which read it out. Another satisfied customer, I put the phone down. Except that I was not satisfied. *Jane speaking* indeed! It is bad enough when you phone up your bank, the airline, or British Gas to be told you are speaking to Tracey, Tony or to Tricia. But Directory Enquiries is taking this pseudo corporate friendliness one step too far. I dialled 192 again. "Directories, Michelle speaking."

"Hello Michelle. Do you mind if I ask yon how long you have been telling callers your name," I asked.

"Only since Monday."

"And what's the reason behind it?

"It makes the service more personal. If you give your name you feel you are talking to a person, and it makes yon do the job better."

"And do you like it?"

"Oh yes!"

If it makes Michelle happy then it can't be all bad. Yet if I had to repeat my first name thousands of times a day it would not do anything for my job satisfaction. And speaking as a customer, I reject the idea that service has to be personal. One of the beauties of phoning Directory Enquiries used to be that it was impersonal. They knew nothing about you, save the number you were calling, and you knew nothing about them.

I found myself watching a documentary about work uniforms the other night. It was a peculiar, rambling programme in which rubbish men, security guards and the London Ambulance Service talked about their working wardrobes. As I watched them tell us about how their uniforms made them stand up straight and feel ready for work, I realised that I too would like to wear a uniform. Of course most of us white-collar workers already have a dress code of sorts, in that the clothes we put on for the office are different to the ones we wear for walking the dog. But it would be so much easier – and cheaper – to have a real uniform, something that didn't need too much ironing.

You might say that the Japanese experience of uniforms is not altogether promising. Their office workers have been wearing them for a long time, but companies are now having second thoughts, fearing that the uniform is sapping the creativity of their staff.

This is an interesting idea. If creative people really do like to wear creative clothes (and this I doubt) it is surely not the clothes that make them creative. In any case it would seem in a company's interests to stamp on any such expression of creativity. With this channel blocked, employees would be free to deploy their creative talents more profitably.

I am puzzled by the idea that potential chairs of Son of Cadbury Committee are being put off for fear that they will receive the Sir Richard Greenbury treatmant. The reason that Sir Richard was given such a hard time by the press was that his committee was ruling on the dynamite subject of executive pay. Corporate governance does not have quite the same kind of popular appeal.

However, there are better reasons why husy executives might not want to chair a committee on such an intricate (and at times tedious) auhject, especially when nobody seems even able to decide exactly what it is the committee should be looking at.

BUSINESS EDUCATION

In the first of a series on company training, Della Bradshaw visits Motorola

Chips off the old block

When Robert Galvin, former chief executive of Motorola, was 72 years old he took up a new challenge – windsurfing. Happily or unhappily for those who work for the electronics company, he demanded similar devotion to learning from his employees.

Galvin decreed that everyone working for him, anywhere in the world, had to complete a minimum of 40 hours' training a year – and that includes the highest-paid executives as well as those who work on the production lines.

"You have to train the top guys to ask the right question – to ask about quality, say, if you are focusing on quality," says Tonnes Funch, the Danish head of Motorola University in Europe, Middle East and Africa.

Motorola University was set up to develop the programmes and now has 10 campuses, as far afield as Beijing and Austin, Texas, and is continuing to grow. It consumes the lion's share of Motorola's $170m (£107m) budget for training, although individual business units are free to go outside the company for training if they prefer.

Much of the training relates to the procedures required of a high-tech manufacturing company – quality control, time to market and customer satisfaction. But now the growing emphasis is on training for international markets.

"All the training for our top people is to get them to work in the global economy," says Funch. "Our future competitive advantage will be in dealing with different cultures."

He explains the scale of the challenge. Because Motorola is a high-technology company it has a rapid turnover in products. By 2005, 75 per cent of the company's sales will be for products that today are just a twinkle in a technologist's eye.

To compound the problem the market for Motorola products is changing rapidly. The company has moved into 100 new countries in the past seven years and by 2005 Funch reckons that India will be a bigger consumer of Motorola products than the US.

"We can't start up in a new country without training," says Funch. "The idea is to develop the local people. If you don't give people training you are stealing from the future."

So committed to global development is Motorola that it is piloting its own international MBA programme from next year. The 18-month course will include time spent in five business schools – Tokyo, Lancaster in the UK, Insead in France, Bangalore in India and McGill University in Montreal, Canada, from where the programme will be administered.

Funch is a strong believer that employees have to visit the country in order to soak up the cultural and business differences. "You need to be there, you need to smell it. You will learn more by doing that than sitting and listening to someone lecturing you for six months."

Funch argues that training provides a second very important function in an organisation which is growing so rapidly and has such a vast increase in new staff every year – 40,000 new employees have joined the company in the past two and a half years. "You need to have some glue to keep things together. Training is that glue."

Surprisingly for an electronics company Funch admits that Motorola is not good at exploiting technology in order to deliver training to its international audience. There, however, the mobile phone to microchip manufacturer has big plans – to deliver 30 per cent of all training by one of the emerging technologies by the turn of the century.

Although other companies such as McDonald's, the US hamburger chain, and Unipart, the British car parts manufacturer, have also dubbed their training facilities "universities" Funch still claims to be mildly embarrassed by the title. Indeed, in the UK the organisation has to call itself Motorola University (USA) to differentiate itself from regulated universities.

But Funch defends the name. "You can call it training or development, but who is electrified by that?" He does concede, however, that there is one difference between the Motorola school and a traditional university. "Wa don't have a football team."

NEWS FROM CAMPUS

Alliance of technology and the academic

Computer giant IBM has teamed up with Manchester Business School to develop marketing and management development education packages for IBM employees.

The plans initially relate to IBM employees in the UK, but other European and US divisions have shown an interest in joining the programme, which includes a variety of courses, applied research, projects and consultancy. MBS has exchange schemes with 40 international business schools which could participate in the scheme.

Initially the venture should be worth about £500,000 a year to MBS. MBS already collaborates with IBM on marketing courses. A modular MBA programme designed for employees at IBM will begin at MBS in 1996, with 25 students.

● MBS is marking its 30th anniversary with a series of celebrity seminars from politicians, business people, authors and religious figures, including Gillian Shephard, the UK's secretary of state for education and employment, and Gordon Brown, shadow chancellor of the exchequer. The first of the 15 seminars will be on Tuesday November 21.

MBS: UK, (0)161 275 6333.

From the coal mine to the top of the class

West Virginian coal miner's son Rex D. Adams has been appointed as the next dean of Duke University's Fuqua School of Business.

The 55-year-old Rhodes scholar and graduate of Duke University is presently vice-president of administration of the Mobil Corporation. He will succeed Thomas F. Keller, who has been dean at Fuqua for 22 out of the school's 27-year history.

Adams' appointment comes at a time when Fuqua is trying to increase its international appeal as a business school, particularly in Europe.

Fuqua: US, 919 684 2823.

Students hunt for consultancy projects

Students taking their MBAs at Ashridge Management College are looking for companies for which they can carry out a business project as part of their course.

Each of the self-sponsoring candidates will spend between 80 and 100 days working on their project, which is conducted on a consultancy-style basis and is intended to produce a practical solution to a strategic business problem.

Included in past projects was one for Swiss food manufacturer Nestlé, exploring distribution networks in Russia and another to develop a quality management system to ISO 9000 for RAC Mechanical Insurance Services in the UK.

Ashridge charges a project management fee of £6,000.

Ashridge: UK, (0)1442 841127.

Giving credit where credit is due

With the increasing proliferation of business schools and their courses, many schools and employers now think the time is right to develop a European-wide accreditation system.

With this in mind the Bonn-based organisation Fibaa (Foundation for International Business Administration) is holding a European Accreditation workshop to explore ideas. The meeting is in Frankfurt on November 21.

Fibaa: Germany, 228 10 44 90.

BUSINESS TRAVEL

Challenge to Alitalia

Alitalia, the Italian state airline, is to get competition on one of its most profitable routes, between Milan and Rome, reports Andrew Hill in Milan. **From November 23, Air One, a new private Italian carrier, will operate five flights a day between Milan's Linate airport and Rome's Fiumicino in a direct challenge to the Alitalia monopoly.**

Air One plans to undercut Alitalia's prices in the initial promotional period with a low-cost, high-service approach, using Boeing 737-300s. Until now, Alitalia has been the only airline on the route, with more than 30 flights daily.

Air One has evolved from Aliadriatica, a small regional airline and air taxi operator. A number of its managers, including chief executive Giovanni Sebastiani, are former Alitalia employees.

It may have started a trend. Italian newspapers reported last week that another private carrier, Noman, was planning to start a Milan-Rome service of six daily flights from mid-December, although they said Noman would not try to undercut Alitalia's prices.

Virgin wins slots

Virgin Atlantic is to start flights between London Heathrow and Washington DC late next spring. "We are delighted that we have finally obtained slots to operate to Washington," said the airline which had unsuccessfully applied for the slots four times.

The daily flights, using Airbus A340s, will leave London mid-morning and arrive at the US capital's Dulles airport early in the afternoon. Return flights will leave Washington early evening to arrive at Heathrow early next morning. Virgin expects a "healthy demand" from business passengers.

New Irish hotels

Holiday Inn is to operate four hotels in the Republic of Ireland, in Dublin, Cork, Galway and Limerick, writes Scheherazade Daneshkhu. **The Galway and Cork hotels will be in Holiday Inn's Express budget range and are scheduled to open next April, while another Express hotel in Dublin will open in early July. The Garden Court hotel in Limerick is due to open in the first quarter of 1997.**

Holiday Inn also has agreements to run three hotels in Northern Ireland, all based in Belfast.

Guernsey jet flights

An all-jet service between Guernsey and London Gatwick will be introduced by Jersey European Airways next March, when it starts using BAe 146 aircraft for its four-times-a-day weekday service. This will double its Guernsey-Gatwick seat capacity.

Barry Perrott, the airline's managing-director, says: "Lack of a high-frequency jet service to London has for some time been considered a handicap in the island's ability to realise its full potential in the offshore financial services market.

"Indeed, Guernsey is the only [such] island without jets. Similarly, the international tourism market expects jets," he adds.

Russian safety fears

Standards of Russian air safety are falling dramatically, and the proportion of serious accidents caused by inadequate air traffic control has risen sharply in the 1990s, a senior Russian official has warned.

The share of accidents in Russia attributed to poor air traffic control has risen from 25 per cent to 35 per cent in the 1970s to about 50 per cent in the 1990s, the official added. He said the main reason for the deterioration in safety was the poor financing of Russia's air traffic system, where controllers handle about 7,500 flights a day.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	18	18	16	15	18
Hong Kong	26	25	25	26	26
London	13	12	13	11	11
Frankfurt	7	7	10	11	10
New York	9	8	7	3	8
L. Angeles	28	27	26	27	28
Milan	11	13	11	11	12
Paris	11	12	14	14	12
Zurich	7	9	11	12	11

Maximum temperatures in Celsius

Information supplied by Meteo Consult of the Netherlands

A flight into Africa's future

Joel Kibazo finds the region's new international airline a promising change from other services

"Thank you for flying Alliance, your African home in the sky," said the head purser on Africa's newest international airline as we touched down at Uganda's Entebbe airport.

It was not only the end of a pleasant eight-hour flight from London, but also a glimpse of what may be the future for Africa's troubled airlines.

The new carrier is a joint venture between three state-owned airlines: South African Airways, which owns 40 per cent, and Air Tanzania and Uganda Airlines, which, with their governments, speak for the other 60 per cent.

Both Uganda Airways and Air Tanzania will now be limited to routes within Africa, acting as feeders for other flights and as onward carriers to neighbouring countries.

Alliance started operating earlier this year, gaining lucrative charter business during rugby union's World Cup in South Africa. But it was not until July that it launched its international scheduled passenger service with two flights a week between London, Entebbe and Dar es Salaam. Routes to the middle east and India are planned for next year.

For seasoned business travellers in Africa, where airlines generally do everything but get passengers to their destinations on time, the arrival of Alliance is likely to be welcome.

Its Monday and Friday flights from London's Heathrow airport leave at 10pm, allowing a full day of business before the flight. With British Airways having decided to transfer all its flights to east and central Africa to London's other main airport, Gatwick, from March next year, Alliance's Heathrow slot will be an undoubted attraction for many travellers.

Once aboard, business-class travellers receive courteous but unobtrusive service from a cabin crew that is a mixture of staff on loan from SAA and newly trained Ugandans and Tanzanians. This courteous service is perhaps one of the main features to distinguish Alliance from some other African airlines with their frequently surly approach.

With a fine wine list mainly made up of South African wines, I was looking forward to working my way through the menu. But what you get is steak or fish – only available in western style. The only concession to variety was vegetable biryani, a wise move given the big British Asian community with business interests in east Africa for whom a non-stop flight to Uganda is a godsend. There was nothing that could be considered traditional African food.

With South Africa's springbok emblem on all the cutlery and crockery, there is no getting away from the fact that SAA, which also leases a Boeing 747 to Alliance, is an important part of the venture.

But if SAA's equipment will be discarded as soon as that ordered by Alliance arrives, there is little excuse for the absence of Swahili on the newly printed Alliance safety cards.

The cards are printed in English, French, German and Afrikaans. Yet Swahili is the national language of Tanzania and Kenya and is widely spoken throughout east Africa, the region from which Alliance hopes to draw many of its passengers.

Masterpiece for a Geneva cathedral

AN HOUR TO SPARE

Switzerland is not renowned for its great painters, but it can lay claim to arguably the first real landscape of northern European art. In pride of place in Geneva's Musée d'art et d'histoire, cordoned off by ropes to ensure that visitors keep a respectful distance, is Konrad Witz's St Peter Altarpiece.

Witz, the most "Van Eyckian" of the early German painters, became a citizen of Basle in 1435, and was commissioned to produce the main altarpiece of Geneva's St Peter's Cathedral nine years later. Scenes from the saint's life are painted on both sides of its two panels. "The Miraculous Draught of Fishes" is the marvel.

While other painters before Witz introduced realistic landscapes into their paintings, Witz has located his Biblical characters squarely in the local landscape. The fishermen cast their nets in the Lake of Geneva and Mont Blanc and snow-capped peaks rise in the distance. Each field and hedge, lakeside weed and submerged pebble is rendered with almost hallucinatory clarity.

Witz revels in demonstrating his technical prowess and careful observation of nature – from the cirrus clouds above and the ripples made by the moving boat to the simplified reflections of the fishermen in the water and the blurred form of the half-submerged St Peter.

But it would be a mistake to pigeonhole the panel as simply a piece of precocious topography. Witz's composition is cleverly composed and his recreation of the moment when Christ appears to his future disciples is masterly.

Intent on pulling in their enormous catch or steadying the boat, not all the fisherman notice Christ hovering on the water. The astonishment of the others, and Peter's immediate response of plunging into the water with outstretched arms to embrace his Lord is truly affecting, despite the damage to the faces wrought by 16th century iconoclasts.

It is hard not to read the noble, red-robed figure of Christ under Mont Blanc as an allusion to Christ's later words to Peter, and to the building of the new cathedral: "Thou art Peter, and upon this rock I will build my Church."

Susan Moore

A departure for all readers

No matter how many books I pack for a trip, I always buy at least one more when I get to a UK airport, for beyond passport control – "airside" – the shelves are stacked with titles not yet available in the shops.

"Once you've gone through passport control, you've technically left the country," explains Sam Brown, airports book buyer for W.H. Smith, the UK retailer, which has shops both sides of passport control at most UK airports. "The publishing rules that apply in the UK aren't necessarily the same outside the UK."

Thus books still in hardback in UK shops can be available in paperback at the airport, sometimes several months in advance. Books for the Christmas season, just now coming into the shops, have been available at UK airports since August or September, while books for the summer holidays were being snapped up by travellers in March.

But there is no standard for how early books arrive at the airports. David Crombie, trade sales director of publisher HarperCollins, says he presses for as long a period as possible between hardback and paperback publication, which has a knock-on effect on airport books. "There's no hard and fast rule," he says.

The collapse of the UK's net book agreement earlier this year has had little effect at airports, says Crombie. "Shops at airports have to have the same prices as they do in their high-street branches," under the rules laid down by BAA, the privatised airports operator.

Different airports have different patterns of sales, says Brown. At Heathrow, "male reads" such as thrillers and business books – or "boy's books", as she calls them – are stronger sellers than the latest fat bonkbuster. *Soros on Soros*, the autobiography of international financier George Soros, sells "four or five times more" at Heathrow than Gatwick, she says.

"It's because there are more scheduled flights from Heathrow," she adds. "It's a different kind of passenger. Business trips are on scheduled flights, not charter flights" which operate out of other UK airports, including Gatwick. (A few use Heathrow).

Some of the big names for next year are already at the airport in paperback. Peter Hoeg's new book, *Borderliners*, was 11th in W.H. Smith's list of top 15 paperback bestsellers airside for the week starting November 6. It is not due on general paperback sale until June next year.

John Grisham's bestselling hardback, *Rainmaker*, is due to arrive at airport bookshops in paperback on December 1, but will not be on general sale until January 29. "That will go straight to No 1," predicts Brown. For Grisham's last book, *The Chamber*, Brown ordered 5,000 paperback copies for the airside shops, and sold out in three days.

With books published in tranches during the year to catch seasonal markets, Brown says March is a good time to plan a trip. "All the summer best-sellers will be there."

Kate Bevan

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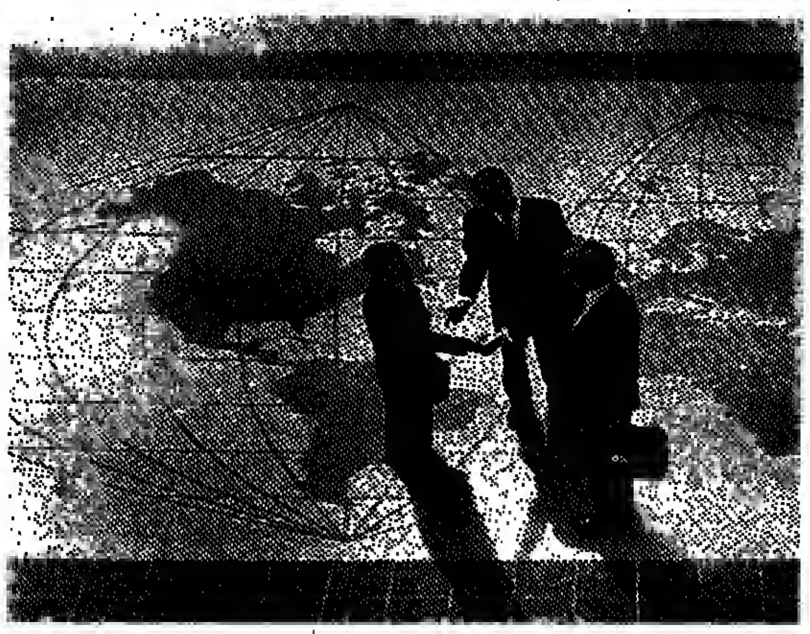
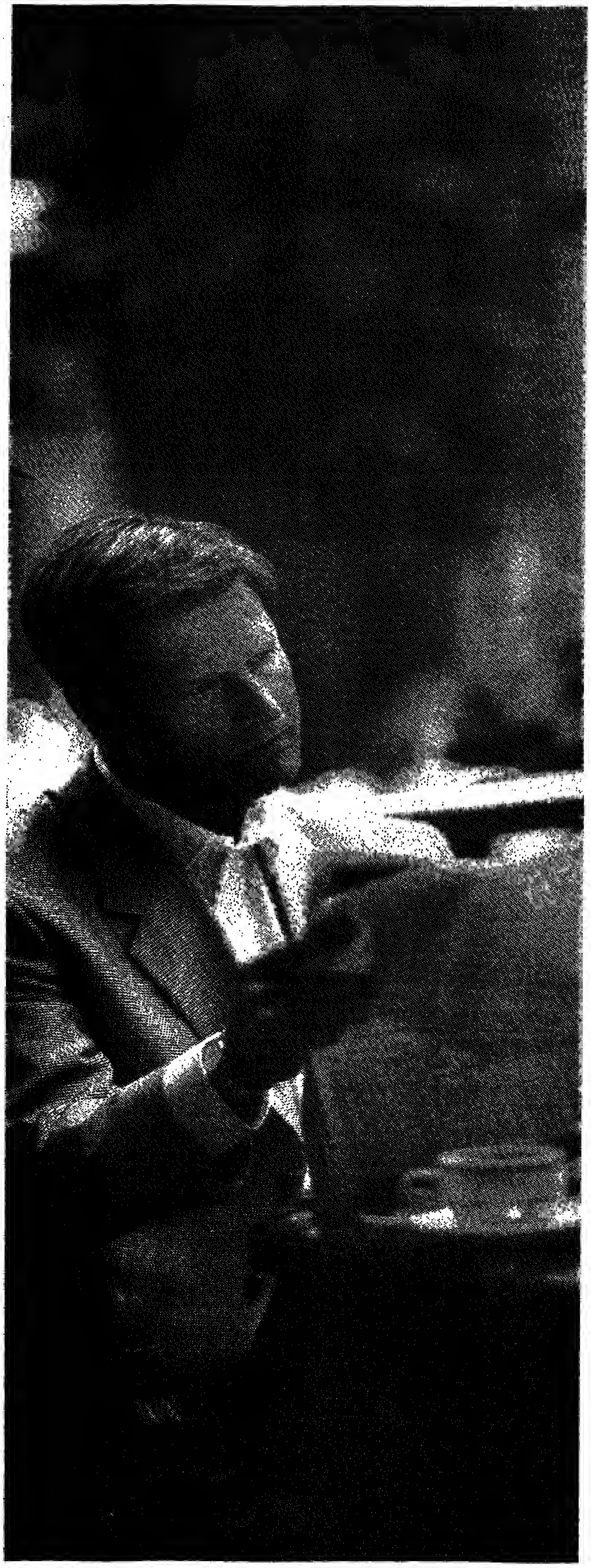




New university building sheds light on student endeavours

Airy space dominates Sir Norman Foster's design for Cambridge. By Colin Amery

Sir Norman Foster's buildings are rather like trees: perfectly designed to look at and to work. You could plant one of them anywhere and in its quiet, pragmatic way it would put down roots and grow.

Like trees, Foster's buildings have a specific form, a simple fitness for purpose; nothing about them is unnecessary. Some of his trees grow tall and strong in Hong Kong and elsewhere in Asia. Some are of the spreading variety, such as Stansted airport, long, low and stretching to the flat east Anglian horizon. Others are sinuous enough to enable them to fit into tight urban situations such as the office for Willis Faber Dumas behind its curvaceous glass wall in Ipswich.

All of them are of a very pure strain; they cannot be hybridised. In Cambridge, Foster's new law faculty has just opened on the Sidgwick site, where it is neighbour to the famous history faculty building by the late Sir James Stirling.

Cambridge University held a limited competition in 1990 for this important commission: a building which is to be built in two phases, the law faculty and the institute of criminology. The Sidwick Avenue site is interesting because it is something of a period piece. It is the arts campus for the university, which was developed after 1950 to a plan drawn up by Sir Hugh Casson.

Casson had become well known for his work on the planning of the Festival of Britain site on the south bank of the Thames in London, and his Cambridge plan has echoes of that polite, friendly Modernism that is more than slightly Scandinavian in origin. His faculty blocks in Cambridge with their central courtyard are all raised up on legs (*piloti*) in a Corbusian way. Apart from this fashionable oddity, the Casson buildings have worn well and are enhanced by more recent additions by other architects.

The law faculty is one large pavilion, and Foster has decided to separate the institute of criminology and make it into a gateway building for the entire site by placing it on the axis with the university library.

Neither Stirling not Foster decided to follow Casson's precedent and raise their buildings up on legs. In fact, Stirling decided to sink half his history faculty into the ground and Foster has also had to sink part of the law faculty. What Foster's memorable glass and stone pavilion achieves is something more than an architectural statement. He has effectively adjusted the site levels to make a pedestrian space between his building and the existing ones that complements them all.

The new law faculty is big – probably a reflection of the needs of one of the few expanding professions. It includes the Squire law library, five lecture theatres, seminar rooms, junior and senior common rooms and faculty offices. Altogether, there are some 9,000 square metres of serviced space. Four floors are above ground, two below.

It is likely to be the most efficient and striking building that these budding lawyers are ever likely to work in. Ahead of them lies a life in fusty chambers and, when they get to court, some of the nastiest new buildings to blight our towns. They will even have to wear greasy wigs and gowns, and their glorious years in the Cambridge library will seem like a distant dream.

The triumphant feature of this new building is the library itself, which occupies three terraced floors that all look out into the world through the great glass north-facing wall. This curved northern façade is completely glazed, the glass being supported by a triangulated steel structure that arcs over a 40m span in a single grand volume.

As you climb the stairs to the part of the library where you are going to work, everything is flooded with light and gloriously visible. This has been criticised as being "un-library like", partly because there is some noise transmission. But having spent some depressing early undergraduate terms in gloomy law libraries, I thought that the place was marvellously light, refreshing and efficient.

However, critical judgments should not be based on subjective experience, and on its own architectural terms this faculty is intelligent, elegant and deceptively simple. What I love about Foster's buildings is their resolution. His practice, which believes in creative teamwork, re-examines the needs of the client and often clarifies them.

The design solutions to the brief will undoubtedly include necessary innovation and technological improvements, including ways of saving energy. The practice has an unjust reputation for being expensive, but its airport at Stansted, because it re-examined the needs of an airport and simplified the buildings accordingly, cost 20 per cent less than any other new air terminal and is 100 per cent more beautiful than any of them. The costs of the Cambridge law faculty are not particularly higher than those of other new university facilities.

All significant new buildings offer the visitor a spatial and visual experience that they will not forget. The Stirling history faculty has its great glazed internal space. And the Foster law faculty has a memorable entrance, marked outside by a high pointed canopy. Inside you are greeted by a sense of sheer height and a dignified coolness.

Everything is beautifully made and put together. The palette is restrained, allowing the natural light and green views to enhance the overall effect. There is a sense of control over the architect-designed furniture, the finishes and the restrained range of colours.

Its architectural integrity is as measured as the statutes of the law, and as demanding. That is its real virtue. Refinement is not easy to achieve but any struggle here does not show. Foster's practice is producing by far the most refined and elegant architecture of our time. May all his millennium schemes prosper. Britain is remarkably fortunate to have the right man at the right time.

● BBC1 will broadcast an *Omnibus* programme on the work of Sir Norman Foster tonight.

Room with a view: The law faculty's north-facing glass wall has a 40m span and is supported by a steel structure

SPORT

KEITH WHEATLEY

Boxers still lords of the earnings league

One of the most eagerly awaited lists in British sport appears tomorrow. Not the birthday honours, nor the FA Cup draw, but the earnings table for those competitors able to earn over the magic million.

It is not an easy subject to research – even the Inland Revenue couldn't persuade jockey Lester Piggot to tell them what he earned – but nobody turns over the ground more thoroughly than Peter Nichols, publisher of *The BBC Radio 5 Sports Yearbook*.

In pole position is Damon Hill with a haul of £3m. Nothing illustrates the volatility of motor racing better than the fact that Hill failed to make last year's list. Nigel Mansell, on the other hand, headed the previous table with £9m and does not figure at all this year.

Boxing is easily the most lucrative sport, accounting for six of the UK money league's 18 entries of £1m-plus. Despite Frank Bruno's victory in a version of the world title fight against Oliver McCall in September, he only made £2.45m and fourth place, compared with Chris Eubank – £2.75m and second place.

Eubank, however, was on the fag-end of a ludicrously generous 10-fight contract with Sky Television, whereas the title fight was Bruno's first big earner for some time. Nichols has no doubt that after Bruno's rematch with Tyson next spring, Bruno will head the 1996 list and this year's wages will look like small change.

"Boxing's momentum is extraordinary. We've had one British fighter die in the ring and an American nearly dead – and it hasn't slowed the bandwagon one bit," says Nichols. "As long as boxing remains legal it's going to be extremely lucrative, and if it is ever banned, that won't be popular with the public."

Even the obscure heavyweight Herbie Hide was able to make big bucks out of a single fight against Riddick Bowe. Bowe took the title, Hide walked off with £2m. The lowest placed boxer, Nasim Hamed, made £1.2m, but one can expect to see this marvellously talented 21-year-old in the top five next year.

A significant new trend is the debut of the footballer making more than £1m a year playing for a British club. David Platt of Inter-Milan was the best-paid British soccer player both last year and this, and holds fifth place on the new list at £2.4m. Platt has also cost more in transfers, £22m, than any other player.

Paul Gascoigne is now making £1.6m at Rangers, with Alan Shearer on £1.4m at Blackburn and Andy Cole on £1.25m at Manchester United. "Football at the moment is the most extraordinary gravy train," says Nichols. "Because our list is British sportsmen, we haven't got entries for UK-based foreign players such as Bergkamp [Arsenal] and Juninho [Middlesborough], who are earning unbelievable money."

Nichols wonders whether these financial levels are sustainable. Despite the generous satellite TV deal with the Premier League, and full stands on most match days, British soccer still relies to a large degree on hand-outs from football-mad tycoons. Will their hearts and pockets hold out for ever?

Says Nichols: "You look at someone like Jack Walker pumping £60m into a club like Blackburn, with a turnover of £7m a year. You can't begin to call it an investment. Where's the return? You can't ever get your money back."

Golfer Nick Faldo, despite a poor season and domestic troubles, managed to earn £250,000 more this year than last, and finished in third place overall with £2.65m.

Two major factors distorted the year-on-year comparison, however. First, Faldo's $1m win in the Sun City tournament last year; second, his decision to play tha US tour, where prize money for moderate placings are much higher than in Europe.

More than half Faldo's earnings come from sponsorship and endorsements, with the likes of Pringle sweaters and Mizuno golf clubs. However, marketing managers are notoriously shy of sportsmen who gather bad personal publicity, and Faldo's separation from his wife and dalliance with a beautiful student half his age may damage his wallet.

Colin Montgomerie is the next golfer on the list – £1.75m and ninth place. He headed the money list on the 1995 European tour and has a blameless public profile, unless one counts a marked tendency to sulk when putts fail to drop. Winning the major that has thus far elnded him could see Monty shoot past Faldo in next year's money stakes.

Nichols says that sprinter Linford Christie's very public slanging matches with both the British Athletics Federation and the media have hurt his image and marketability at least as much as have slower times on the track.

Last year Christie was the only track and field athlete on the list, with earnings of £1.1m. He fails to make this year's table and, according to Nichols, has lost several leading sponsors.

There are no jockeys this year, largely due to the retainer system going out of fashion with owners. Pat Eddery's deal with Khaled Abdullah put him in the £1m-a-year bracket, but that has ended and he has dropped off the list.

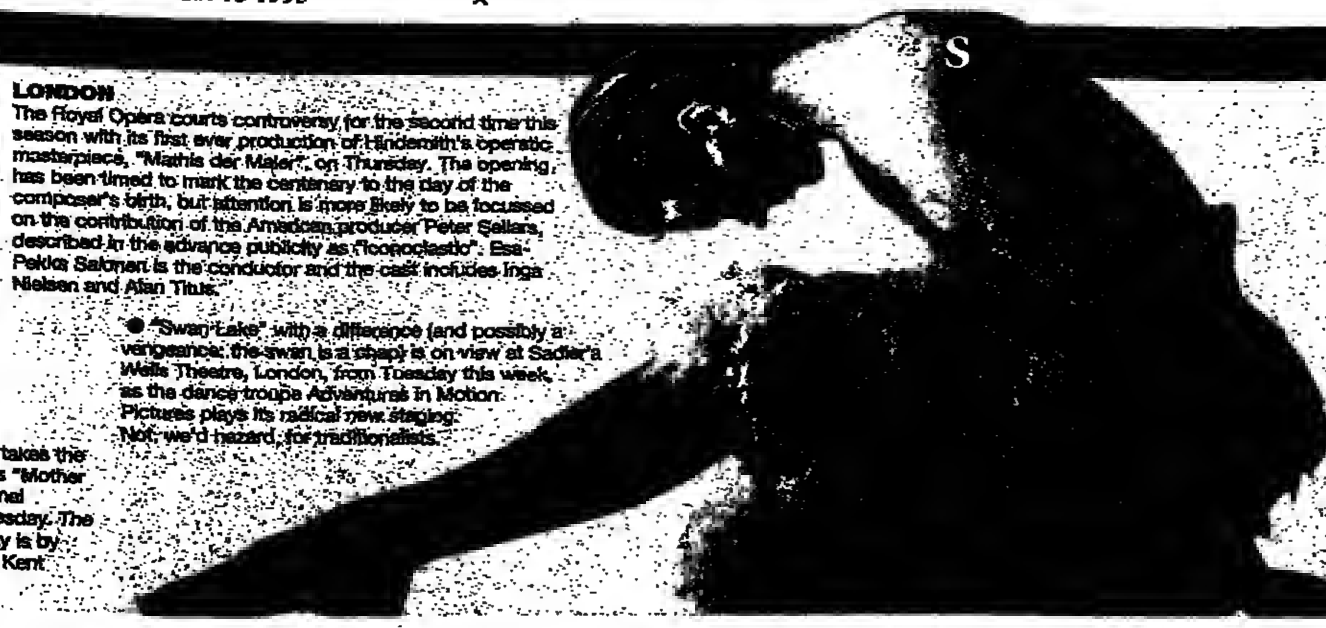
Nor, yet again, are there any women on the list. Although Laura Davies enjoyed another brilliant year on both sides of the Atlantic, the world's top woman golfer probably made less than £500,000 between October 1994 and October 1995.

Since relatively few women play golf, the equipment market and thus the endorsement values are far lower than in the men's game. Prize money on the women's tour is still a fraction of that available to Faldo, Torrance, Woosnam and Co, and corporate days in the far east at $250,000 plus expenses simply aren't on offer. The chairman of some far eastern truck company might be honoured to be beaten seven and six by Nick Faldo, but he sure as hell doesn't want to be trounced in front of his top management by a woman.

The advice from the FT sports career advice line is clear. Be a man, my son, as large as possible, and pull on those boxing gloves.

The Radio 5 Live Sports Yearbook 1996, Oddball Publishing, £12.99.

OPENINGS



LONDON
The Royal Opera courts controversy for the second time this season with its first ever production of Hindemith's operatic masterpiece, "Mathis der Maler", on Thursday. The opening has been timed to mark the centenary to the day of the composer's birth, but attention is more likely to be focussed on the contribution of the American producer Peter Sellars, described in the advance publicity as "iconoclastic". Esa-Pekka Salonen is the conductor and the cast includes Inga Nielsen and Alan Titus.

● "Swan Lake" with a difference (and possibly a vengeance: the swan is a chap) is on view at Sadler's Wells Theatre, London, from Tuesday this week, as the dance troupe Adventures in Motion Pictures plays its radical new staging. Not, we'd hazard, for traditionalists.

● Diana Rigg (above) takes the central role of Brecht's "Mother Courage" at the National Theatre, also from Tuesday. The new version of the play is by David Hare. Jonathan Kent directs.

BERLIN
Richard Chamberlain, best known as a film actor, makes his Berlin stage debut on Wednesday as Professor Higgins in "My Fair Lady". Frederick Loewe's popular musical is no stranger to German audiences, who usually hear it in their own tongue. This two-week run at the Schiller Theater is performed in the original English, with Meg Tolin as Eliza.

BARCELONA
The young Picasso first exhibited his paintings in February 1900 at a Barcelona tavern, Els Quatre Gats. This period of his life is evoked in a show, opening at the Museu Picasso on Saturday.

BOLOGNA
The 1995-6 opera season at the Teatro Communale opens on Saturday with a rare Italian showing of Berg's "Wozzeck", in a production from Amsterdam conducted by Gary Bertini and staged by Willy Decker. The cast is headed by Jurgen Freier and Elisabeth Whitehouse.

AMSTERDAM
In the early 1950s the Stedelijk was the first major European museum to take an interest in postwar American art. Now celebrating its centenary, the museum has put together a major survey of 20th century American art, with works by Edward Hopper, examples of abstract expressionist and Pop art, and paintings by Robert Barry. It opens on Saturday and runs till the end of January.

King of tenors lets his crown slip at the Met

Andrew Clark, reporting on the New York music scene, asks what Pavarotti is trying to prove

It is no easier for top tenors to age gracefully than it is for the rest of us. Carlo Bergonzi and Alfredo Kraus have managed it, but they are the exception. Whether Luciano Pavarotti could do so was the question lurking behind his performance at the Metropolitan Opera last weekend, when he returned to the role of Tonio in Donizetti's *La fille du régiment* after a gap of 22 years.

Thus was the role which earned him the title of "King of the high Cs", because of his ability to toss off the nine high Cs in Tonio's aria at the end of Act 1. Pavarotti has one of the best vocal techniques in the business, but to submit himself to such a test at the age of 60 was tempting fate.

Although he hit all the notes, it was more of a struggle than it was worth. He looked nervous and distracted, like an overgrown schoolboy trying to memorise his lines. When his aria finally came, the high Cs creaked and cracked: the strain was audible, as if the voice were being frenetically pushed beyond its limit. The applause was dutiful. In Milan they would have booed.

What was Pavarotti trying to prove? It may have been a personal challenge, but no one wants to remember him precariously holding on to his past. We know he is the real megastar, even when the Three Tenors make happy harmony. The only tenor who will knock Pavarotti off his perch is Pavarotti himself. He cannot defy the inevitable: ageing tenors have their limitations.

With the exception of Pavarotti and a new production of Tchaikovsky's *Pique Dame*, the New York music season has so far been notable only for what happened offstage. At a New York Philharmonic concert to mark the 50th anniversary of the United Nations, Yasser Arafat was expelled from the auditorium after the scherzo of Beethoven's Ninth Symphony, because the New York mayor said he had not been invited. So much for the brotherhood of man.

At another Philharmonic concert, the audience slow-clapped while pay negotiations continued backstage, overshooting the orchestra's strike deadline and delaying the start of the concert. Although the dispute was resolved, the wounds have yet to heal. The new contract sets a minimum salary of $81,120 (£51,600), with nine weeks' paid holiday, a generous health and pensions package, extra money for recordings and no restrictions on second jobs. The New York Philharmonic is now the world's highest paid orchestra.

At Carnegie Hall, where the Boston and BBC Symphony Orchestras have been the principal visitors, the performance *under* the stage has stolen the show. During the summer, while warps in the stage-floor were repaired, an undocumented layer of concrete was found underneath. Its discovery and removal have rekindled the thorny debate about the hall's acoustics. Was the concrete there before the 1986 renovation? If not, could it explain why the hall sounded more strident after the renovation? New York critics have been reluctant to make dogmatic pronouncements about the "new" sound. The consensus is that yes, it seems to resonate more, with an unusually solid bass – but not enough to restore the sound to its pre-1986 glory.

The strain was audible, as if the voice were being frenetically pushed beyond its limit. In Milan they would have booed

Even at the Met and New York City Opera music has been forced to take a back seat. When the conductor Christopher Keene died last month at the age of 48, a part of City Opera went with him. In the words of The New York Times, "the cards dealt him when he took over the job of general director in 1989 were for the most part losing ones, but how cheerfully and gracefully he bluffed and sometimes won". His legacy is a courageous calendar of operas that no one else wanted to do – this season includes three US premieres – and a stock of repertory productions. But the company is crippled by a badly situated theatre, a mediocre orchestra and lack of money. Small wonder nobody wants the job – though David Gockley, Matthew Epstein, Gerard Schwarz and Francesca Zambello have all been canvassed.

The talking point at the Met has been Met Titles, the company's copyright name for its new $2.7m simultaneous translation system. In spite of James Levine's warning that surtitles would be introduced "over my dead body", Met audiences can now follow an English text on individual screens mounted on a bar at the back of each seat. The screen accommodates two lines of computerised text, an on-off switch and a filter limiting visibility from either side. Although you can still see screens in the rows in front, it is easy to forget about the titles and focus on the performance. No texts flashing over the proscenium, no cricked necks.

So after a century of hearing the great operas sung in incomprehensible languages, are New York audiences any the wiser? Opponents argue that the onstage integration of music, text and action is complex enough without the distraction of constantly having to read a crib sheet. And before titles were introduced, even the Met's audiences knew when to laugh. The value of Met Titles is that everyone has a choice, the cueing is perfect and the translations read well. They make conventional titles look crude.

I suspect most of the audience glanced at their titles at some point in *Pique Dame*. Even so, Tchaikovsky lays bare the emotions in a way that transcends line-by-line comprehension. It was good to encounter this difficult masterpiece in a big theatre, and to hear the music interpreted with unmistakable authority by Valery Gergiev – so sweeping in its turbulence, so precise in its quiet rapture.

Elijah Moshinsky's staging was superficially impressive, thanks to Mark Thompson's handsome period costumes and a dark stage-frame which served for indoor and outdoor scenes. But it never developed beyond decorative patchwork. What was the point of the stylised behaviour of the chorus? Why did the Countess's ghost have to smash her way through the stage floor? Gratuitous touches such as these suggested that at heart, Moshinsky had nothing to say. He moved his characters thoughtfully but avoided the central themes of fantasy and obsession.

Winnie Klotz

Flawless and flawed: Luciano Pavarotti and June Anderson in 'La fille du régiment'

The dramatic impact might have been stronger if Ben Heppner had made a convincing Hermann. The voice is right, but he bumbled and stooped like an overweight Faust, and his relationship with Karita Mattila's charismatic Lisa was never established. Dmitri Hvorostovsky rescued his operatic reputation with a dignified Yeletsky. As the Countess, Leonie Rysanek – in her Met farewell – made the most of the limited hand Moshinsky gave her.

Listening to *Pique Dame* and *Carmen* on consecutive nights was a reminder that the latter was Tchaikovsky's favourite opera: love-fixation, fateful card-playing and a boys' soldier-chorus play a part in both. A revival of Peter Hall's 1986 staging of *Carmen*, now reduced to grand operatic functionalism, found Sally Burgess making a subdued Met debut. She is a lovely singer, with musicality high among her gifts, but her performance lacked temperament, sexuality, vocal allure. Carmen is not a sweet English rose, and that, I'm afraid, is what we got.

Another British mezzo, Sarah Walker, made an embarrassing caricature of the Marchioness in *La fille du régiment* – in stark contrast to Michel Trempont's witty Sulpice and June Anderson's sparky, spunky Marie. For all her Sutherland-esque mannerisms, Anderson sang flawlessly *and* she had a sense of humour. How could Pavarotti compete?

Theatre

Strange Passenger

Discussions of Holocaust drama can engender a vague feeling of impropriety, as if the subject matter placed the plain question beyond criticism. However, there is more to the genre than ideological and moral button-pressing. Sonja Lyndon's *The Strange Passenger*, presented by Paines Plough, attempts to circumvent the monochrome clichés of the topic, and takes her play on a circuitous metaphysical route which arrives back close to that starting point.

Her subject is the detention of Czech composer Viktor Ullmann (Andrew Normington) in Theresienstadt, which combined the horrors of a KZ (*konzentration slager*) with the bizarrerie of a Nazi propaganda facade: a "settlement" in which, while assigned to brutal work details and given the inadequate rations of other camps, the Jewish detainees were encouraged to engage in a rich cultural programme of lectures and concerts. In such a climate, Ullmann overcame the artistic block which had led him to spend the previous three years working for the Rudolf Steiner movement, and composed his opera *The Emperor of Atlantis*.

Lyndon's Viktor finds himself torn between opposing principles, primarily expressed in the conflict between Heinrich the idealistic champion of art for art's sake and the cynical materialist Heino (both played by Peter Hamilton Dyer). But although Heino is openly materialistic, he may not in fact be material; certainly his opposite number Heinrich seems to be a figment of Ullmann's imagination. These two are, Lyndon explains, personifications of the spirits of Lucifer and Ahriman from Steiner's Anthroposophical writings, representing the forces of escapism and of this world respectively.

This cosmic dualism is mirrored in Viktor's personal dealings in the camp with his infuriated but realistic second wife Annie and her self-obsessed successor Elli. The end result is a theological fable in which Ullmann's historical existence is overshadowed by his mystical status as an Everyman who happens to be a composer in a concentration camp, and those around him take on the quality of abstract functions rather than people.

Director Penny Ciniewicz chooses not to play up the metaphysics of the work. Lyndon has made a considered attempt to move away from the usual run of KZ drama, but this treatment both leads her inexorably back to the central dualities and has the effect of interposing a cerebral veil in front of the deformed reality of Theresienstadt.

Ian Shuttleworth

At BAC, London SW11, until December 2 (0171-223 2223).

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

AUCTION
Sothebys Amsterdam
Tel: 31-20-5502200
● *Old Master Paintings*: highlight of the auction will be a painting by Pieter Lastman, the teacher of Rembrandt; auction: 10.30am & 2pm, Nov 14

CONCERT
Concertgebouw
Tel: 31-20-5730573
● István Párkányi and Willem Brons: the violinist and pianist perform works by Schubert and Beethoven; 8.15pm; Nov 14
● Nederlands Philharmonisch Orkest: with conductor Hartmut Haenchen performs Mahler's "Symphony No.9"; 8.15pm; Nov 15, 19

■ BERLIN

CONCERT
Konzerthaus
Tel: 49-30-203092100/01
● National Orchestra of Denmark with conductor Ulf Schirmer and pianist Leif Ove Andsnes perform works by Abrahamsen and Beethoven; 8pm; Nov 14

OPERA
Deutsche Oper Berlin
Tel: 49-30-3438401
● Aida: by Verdi. Conducted by Maurizio Barbacini and performed by the Deutsche Oper Berlin. Soloists include Ildiko Szönyi, Julia Varady, Vladimir Bogachov and Reinhard Hagen; 7.30pm; Nov 14
Komische Oper Tel: 49-30-202600
● Giulio Cesare in Egitto: by Handel. Conducted by Charles Farncombe and performed by the Komische Oper; 7pm; Nov 14

■ CHICAGO

OPERA
Civic Opera House
Tel: 1-312-332-2244
● Chénier: by Giordano. Conducted by Bruno Bartoletti and performed by the Lyric Opera of Chicago. Soloists include Kristián Jóhannson and Sergei Leiferkus; 7.30pm; Nov 15, 18, 21, 26 (2pm)

■ COPENHAGEN

DANCE
Det Kongelige Teater
Tel: 45-33 14 10 02
● Royal Danish Ballet: performs four choreographies by Peter Martins, director of the New York City Ballet. The works are "Ash", "Barber Violin Concerto", "Zakouski" and "Fearful Symmetries"; 8pm; Nov 14, 18

EXHIBITION
Nationalmuseet Tel: 45-33 13 44 11
● Asger Jorn and 10,000 years of Nordic Folk Art: Nordic art from the early hunting period, through the Bronze, Iron and Viking Ages are seen through the eyes of the Danish Cobra painter Asger Jorn (1914-1973). The exhibition is based on Jorn's extensive writings and on over 20,000 photos taken by the French photographer Franceschi at Jorn's request; Nov 15 to Feb 7

■ FLORENCE

OPERA
Teatro Comunale
Tel: 39-55-211158
● Macbeth: by Verdi. Conducted by James Conlon and performed by the Orchestra a Coro del Maggio Musicale Florentino. Soloists include Alexandru Agache, Dmitri Kavrakos, Deborah Voigt (Nov 14, 16) and Barbara De Maio (Nov 18); 8.30pm; Nov 14, 16, 18

■ GENEVA

THEATRE
Grand Casino Tel: 41-22-7319811
● L'Ecole des Femmes: by Molière. Directed by Robert Manuel. With Michel Galabru; 8.30pm; Nov 14, 15, 16

■ LONDON

ART & ANTIQUE FAIR
Olympia Tel: 44-171-3708186
● The Fine Art and Antiques Fair: with furniture, watercolours, oils and old master drawings, prints and maps, porcelain, ceramics and glass, textiles, statuary and classical ornaments, snuff and music boxes, Chinese and Japanese art and curiosities, clocks and barometers, Art Deco and Art Nouveau; from Nov 15 to Nov 21

AUCTION
Christies South Kensington
Tel: 44-171-5817611
● Clarice Cliff: auction entirely devoted to the work of this British artist (1899-1972), known for the creation of colourful hand painted pottery. Highlighting the sale is a rare plate from Cliff's "Applique range", decorated with the variegated, floral Eden pattern; 10.30am & 2pm; Nov 17

CONCERT
Royal Festival Hall
Tel: 44-171-9604242
● BBC Symphony Orchestra: with conductor Manfred Honeck, soprano Barbara Bonney and baritone Matthias Gorne perform Webern's "Im Sommerwind", songs from Mahler's "Des Knaben Wunderhorn" and Tchaikovsky's "Symphony No.5"; 7.30pm; Nov 15
St. Paul's Cathedral
Tel: 44-171-638 8891 (Barbican Box Office)
● Yehudi Menuhin conducts in the presence of HRH The Prince Philip, Duke of Edinburgh: performance of Bloch's "Sacred Service". Also performed are Singer's "Psalms for Today" (world première), conducted by Andrew Millinger, Mendelssohn's "Magnificat" and psalm settings by Stewart, Brahms and Horovitz, conducted by John Scott; 7pm; Nov 14

OPERA
London Coliseum
Tel: 44-171-8360111
● Carmen: by Bizet. Conducted by Michael Lloyd and performed by the English National Opera. Soloists include Louise Winter, Robert Brubaker and Cathryn Pope; 7.30pm; Nov 15

POP MUSIC
Wembley Stadium, Arena
Tel: 44-181-900 1234
● David Bowie: guest Morrissey; 7.30pm; Nov 14, 15, 17, 18

■ NEW YORK

EXHIBITION
The Frick Collection
Tel: 1-212-288-0700
● The Butterfly and The Bat, Whistler and Robert de Montesquiou: exhibition devoted to James McNeill Whistler's portrait "Arrangement in Black and Gold: Comte Robert de Montesquiou-Fezensac", painted in 1891-92. Included will be paintings, drawings, prints, sculpture, photographs, decorative art objects, books, period clothing, and memorabilia.
These items, many of which belonged to Whistler or Montesquiou, will serve to document the history of this portrait; from Nov 14 to Jan 28

JAZZ & BLUES
Blue Note Tel: 1-212-475-8592
● Herbie Hancock Trio: featuring Dave Holland and Gene Jackson; 9pm & 11.30pm; Nov 14, 15, 16, 17, 18, 19

THEATRE
Brooklyn Academy of Music, Majestic Theater
Tel: 1-718-636-4100
● Chinoiserie: play by Michael Mathews on music by Guy Klucevfek. Featuring Ping Chong; 8pm; Nov 14 (7pm), 15, 16, 17, 18

■ PARIS

CONCERT
Salle Pleyel Tel: 33-1 45 61 53 00
● Orchestre de Paris: with conductor Sir Georg Solti, soprano Julia Varady and bass Laszlo Polgar perform Bartók's "Music for Stringa, Percussion and Celesta" and "Duke Bluebeard's Castle"; 8.30pm; Nov 15, 16

OPERA
Opéra Bastille
Tel: 33-1 44 73 13 99
● Eugene Onegin: by Tchaikovsky. Conducted by Alexander Anissimov and performed by the Opéra National de Paris. Soloists include Gerlinde Lorenz, Solveig Kringelborn and Randi Stene; 7.30pm; Nov 14, 17, 22

■ WASHINGTON

OPERA
Opera House Tel: 1-202-416-7800
● Luisa Miller: by Verdi. Conducted by Richard Buckley and performed by the Washington Opera. Soloists include Veronica Villaroel and Lando Bartolini; 8pm; Nov 14, 17, 20 (7pm), 25 (7pm)

WORLD SERVICE
BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
(Central European Time)
MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets

17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Michael Prowse • on America

Pensions fraud

The longer privatisation is delayed, the harder the eventual adjustment and the greater the penalty paid

Politicians around the world share a guilty secret: they are defrauding young workers of large sums by forcing them to contribute to public sector pension schemes.

In the US employees (and their employers) are made to pay social security taxes at a combined rate of about 12 per cent. However, the pension that young workers can expect to receive from the federal government is likely to fall far short of what could be earned if the same sums were invested in private capital markets.

In a recent paper for the Cato Institute, a Washington think-tank, Mr William Shipman estimates that people born in 1970 would get up to six times the benefits they are scheduled to receive under present rules if they were allowed to invest their social security taxes in corporate equities. And this makes the heroic assumption that future governments will not scale back promised social security benefits – for example by taxing them more heavily or raising the retirement age.

Yet they probably will. Social security is as unstable as a chain letter. Those who joined early did very nicely. They received benefits far in excess of their contributions because a small retired population was supported by a steadily growing pool of young workers.

In 1950 there were 16 workers paying social security taxes for every retiree drawing benefits. But now the scheme is maturing the arithmetic looks horrible. The number of workers per retiree has fallen to just over three; by 2030 there will be less than two.

Politicians talk confidently of "trust fund" surpluses. But this is hollow rhetoric. Like most other countries, the US runs a "pay-as you-go" system. Because baby-boomers are still working, it is raising more in social security taxes than it needs to pay the pensions of today's retirees. But the surpluses are not invested; they are siphoned off by other arms of government and used to finance current expenditure.

The trust fund has no assets other than a collection of IOUs from the government to itself. These can be honoured only by raising taxes or cutting spending. As the chart shows, the scale of adjustment required after 2013 dwarfs today's budgetary challenges.

The solution is for the US government to admit that social security was a terrible mistake – and privatise it. Public sector pensions are supposedly based on an intergenerational "social compact". The idea is that today's workers pay the pensions of today's retirees and receive their pensions in turn from tomorrow's workers.

But such compacts are entirely fraudulent. There is no sense in which workers yet to be born can be said to have agreed to pay whatever level of taxes are necessary to fund the pensions that today's politicians have promised today's workers. Indeed they are highly unlikely to fulfil the promises made on their behalf.

A more rational approach is for individuals to take responsibility for their own retirement by investing a portion of their earnings in shares and bonds. Individuals' pensions would then depend on the fraction of income they choose to save, the skill with which they invest, and the general performance of financial markets. Since asset returns are highly correlated with economic growth over long periods, the average pensions earned by each generation would depend largely on their own productive efforts.

When workers retire they would enjoy a clear legal right to the financial assets they have accumulated. This would not offer perfect security – that is not possible – but it would be preferable to vague assurances from politicians that future pension commitments will be met – somehow.

The most important argument for privatising pensions is arguably ethical: to ensure that workers get the pensions they deserve on the basis of their own efforts and investment decisions. But the abolition of unfunded public sector schemes would also offer large economic benefits.

In a study for the National Bureau of Economic Research, Professor Laurence Kotlikoff of Boston University argues that privatisation would lead to higher saving and, consequently, "major long-run increases in output and living standards".

Getting from here to there is less difficult than it looks. The crucial first step is to abolish social security taxes and require employees and employers to invest the equivalent monies in a basket of financial assets. To ensure that everyone gets a minimum basic pension, people should be required to invest a minimum proportion of the cash in safe assets. But beyond that they should be free to invest as they see fit. And they should be allowed to retire whenever they want – provided they have accumulated sufficient assets to finance the minimum pension.

But what about the social security rights that workers have already accrued? The best solution, adopted by Chile when it privatised its public pension scheme in 1981, would be to issue "recognition bonds". Individuals would be given bonds maturing at their expected retirement date equivalent to the actuarial value of their accrued pension benefits. If government reckons the benefits already promised cannot be honoured, it could offer bonds worth some fraction of previously promised benefits.

This leaves one large snag: how to replace the revenue lost when social security taxes are abolished. Government, after all, must still honour its commitments to existing retirees. The answer is through a combination of new borrowing, spending cuts and consumption taxes – which would shift some of the burden on to the elderly who have already benefited so much from public pensions.

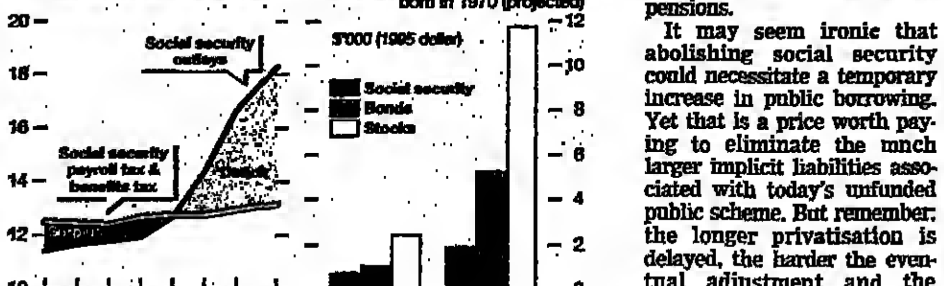
It may seem ironic that abolishing social security could necessitate a temporary increase in public borrowing. Yet that is a price worth paying to eliminate the much larger implicit liabilities associated with today's unfunded public scheme. But remember: the longer privatisation is delayed, the harder the eventual adjustment and the greater the penalty paid by today's young workers.

Social security revenues versus outlays

% of earnings subject to social security contributions

Social security versus capital markets - returns

Monthly benefit earned by social security taxes for individual born in 1970 (projected)



Source: Cato Institute

·LETTERS TO THE EDITOR·

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Elements of Blair approach to business welcome

From Mr Andrew Cecil.

Sir, Philip Stephens seems to have got his chickens and eggs mixed up with regard to Labour leader Tony Blair's new found friends in British boardrooms ("Lost voice of business", November 10). Mr Blair has been accommodated by business leaders due to their recognition that, barring a big upset, the Labour party will be in power in the not so distant future.

The Labour party's position on Europe is a secondary, but none the less important, consideration in the developing relationship between Mr Blair and those at the help of British industry.

This position is still in its infancy, but, disregarding the overrated fear of the Social Chapter, certain elements of this policy should be welcomed. Mr Blair's self-conscious pro-Europeanism, mixed with an element of caution, is a credible and pragmatic approach to developing British interests within the European Union. A comparison with defence secretary Mr Malcolm Rifkind's national interest test indicates the potential parity of the two main parties' stance on Europe. Where the present government has fallen down is that the national interest test has been applied at a broad political level. This is perceived as too confrontational in the consensus-minded capital of its EU partners. Nevertheless, it is undeniable that Mr Rifkind's test is a necessary tool in certain circumstances, for example behind the closed doors of the Council of Ministers.

Mr Blair's approach seems more in tune with the other EU member states. It should, however, be borne in mind that occasionally, even frequently, an element of caution may not suffice to protect vital national interests. Mr Blair still needs to reassure both business and the electorate his caution will be sufficient.

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E-money threat to cash

From Mr Giles Keating.

Sir, Prof Alec Chrystal (Letters, November 8), commenting on my Personal View (November 2), argues that because cash is unimportant, its replacement by smartcards will have little impact. However, cash is virtually the only type of money issued by government (in the UK, more than 99 per cent). If a government cannot issue cash because e-money facilitates the use of another country's currency for domestic transactions, it will lose virtually all its seignorage. The government would have to issue some £23bn extra gilts and then pay about £2bn every year in extra interest.

Moreover, cash circulates much more quickly than bank deposits (it has a high velocity-adjusted weight). Cash was used for almost 15bn retail transactions in the UK in 1993, versus less than 4bn for all other methods. So the currency in which retail transactions are priced is in practice determined by the denomination of cash. E-money would threaten this dominance, allowing people to stop using domestic currency completely (other than for paying taxes).

The importance of e-money replacing cash is greater than possible effects on exchange rates. Rather, it might make certain currencies to all intents and purposes disappear.

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Consensus of centre-left

From Mr Pete Ruhemann.

Sir, LINC (Labour Initiative on Co-operation) wants to help build a radical consensus for change on the centre-left. The Liberal Democrats' suggested Queen's Speech shows the extent to which that consensus already exists.

As our recently published comparison of Labour and LibDem policy papers, *What's the Beef?*, shows, there is wide agreement between the two parties on democratic change, education and training, housing, public sector investment and transport, all of which figure in Liberal Democrat leader Mr Paddy Ashdown's package, as well as on many other issues.

The analysis, based on 23 Labour and 10 LibDem documents shows "many of their principles and premises are the same and very many of their proposals are essentially the same" and concludes that if the general election produces a hung parliament it should be possible for Labour leader Tony Blair and Paddy Ashdown to agree a Queen's Speech.

Both parties, and the British electorate as a whole, should take comfort from the fact that the two independent policy processes have produced such a wide consensus. This stokes up the political heat on the Tories and increases the chances of the first non-Tory government since 1979 being successful in the great task of revitalising the UK.

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Quality improvement, not education, is required formula

From Mr David Jenkins.

Sir, Your article "'Poor leadership' in car parts sector" (November 8) on a UK Department of Trade and Industry-sponsored report makes interesting reading. However, its authors' central conclusion and recommendation are too superficial for it to make the impact that the subject merits.

British managers again are berated for lack of leadership skills – a historic fault to be remedied by education. In reality this bland prescription lets manufacturing businesses off the hook.

The report makes it clear that dramatic improvements in quality are needed. In fact there is a fairly straightforward formula for achieving this aim. You have to organise into natural teams the people who make the product, give them a clear specification of what is required, and then give them the power to determine how best to match it. This means that managers have to hand over many of the tasks that have traditionally been their preserve, leaving them to focus on the one key function they cannot divest: ensuring a uniform standard in what is manufactured.

This prompts the obvious question: if the solution is that simple why has it not been more widely applied? You do not have to look far for the answer. The programme has far-reaching effects on the function and role of many managers. Few are immune. If by identifying shortcomings in leadership the report's prognosis is a lack of will on the part of senior managers to make the structural changes that better quality requires, then its findings are sound.

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Many east Germans are glad of freedom unification gave them

From Mr Ernest Gobert.

Sir, With regard to the article, "The Wessis don't want to know" (November 4), your correspondent in Germany, Judy Dempsey, seems singularly unlucky in her choice of the people she interviews.

Before its unification, I was a frequent visitor as chairman of a British company to many parts of West Germany. In December 1990, I was asked to lecture at a technical seminar at Suhl, a spa of some 55,000 inhabitants not far from Weimar and in the heart of what was East Germany.

Even a year after unification I was appalled by what I saw. Time had stood still there for more than 50 years. Conditions were not primitive, they were primeval.

I was exceptionally lucky not to be asked to share my tiny decaying hotel room at some Berghotel in the Thüringer Wald with a complete stranger. Phoning my wife in England proved to be an undertaking of Wagnerian proportions and I often did not succeed.

My West German companion bought diesel (laced with debilitating water) at the only petrol station, not far from the old Stasi HQ. And then there were the Brabants. Stinking, pathetic and obtainable only after a 16-year wait. No wonder many East Germans killed themselves around that time in modern West German cars. They were not used to driving at speeds above 50 kph.

While I did see the large swaths of forest which had been destroyed along the border between east and west to prevent East Germans from escaping, I did not see the polluted lakes (a problem to this day), nor the many other leftovers of the communist paradise. But what I did see was enough to explain to me the reason why people want to be free.

I accept that suddenly to be dragged from the 1930s to the 1990s may have been for some a traumatic experience. But why did Judy Dempsey not interview the many east Germans who were glad to be free and to have become a member of the family of modern nations, warts and all?

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Personal View • Michael Holman

Commonwealth challenge

In return for debt relief, Nigeria must do more than start a programme of economic reform

Seldom in international affairs has a gauntlet been thrown down so arrogantly by a challenger seemingly so vulnerable to retaliation.

But there may have been method in the Nigerian regime's seemingly inexplicable decision to execute community activist Ken Saro-Wiwa and eight others on the very day the Commonwealth summit opened in Auckland, ignoring their appeals and leaving delegates stunned and outraged.

General Sani Abacha, as ruthless a military leader as Nigeria has produced, holds the fate of Nigeria in his hands, as much a hostage to his power as the men he so callously hanged.

If I can do this, his gesture seemed to say, in defiance of pleas from Nelson Mandela, beware what I could do to Nigeria if you forced my hand.

Whether events would have turned out differently had General Abacha and his regime been treated less tolerantly by Britain and other key partners when he took power two years ago is impossible to say. But the signals he received from London at least have been inconsistent.

A ban on visas for military members of the regime has often been breached. Instead it should have been strengthened by including civilian ministers who have been free to come and go, not to mention being invited to a Foreign Office reception to mark a Nigeria investment conference in London last month.

However, whatever shortcomings there may have been in British policy, Mr John Major, the British prime minister, can have left General Abacha in no doubt about his repugnance for a regime he accused of "judicial murder". And he and other Commonwealth leaders drew up for the first time the framework under which they can try to ensure that member states meet the principles set out in Harare and if necessary introduce graduated forms of pressure beginning with suspension of errant states and ending in sanctions.

Yet vulnerable though Nigeria is to an oil embargo, which if properly applied and policed could cripple it in months, it is not necessarily the best or safest way of returning a country in the hands of a man like General Abacha to democracy.

Thirty-five years of mismanagement since independence in 1960 have taken a dreadful toll and sanctions could induce a trauma Nigeria might not survive.

Its civil institutions are so weakened by neglect and corruption, that the country has lost the capacity to manage its own recovery, or be trusted with the receipts from the 1.4m barrels of oil a day that are its main export.

Executed: Ken Saro-Wiwa

Without external assistance of a nature and scale that would be without precedent, the crisis in Africa's most populous nation will deepen with profound consequences.

So while sanctions should be kept as an option, there may yet be a role for the Commonwealth in finding an alternative. No policy will succeed, no external assistance is possible, however, until the gravity of the crisis encourages Nigeria's civilian leaders to bury their differences and set aside personal ambitions.

Reconciling Nigeria's politicians, and convincing them to pool their talents will be no easy task. But the first step the Commonwealth can take is to offer to convene an externally located conference under a Commonwealth chairman, which brings civilians and soldiers together.

But more than politics has to be on the agenda if it is to win the support of politicians and soldiers alike.

While keeping the sanctions stick in the background, a big carrot will be more effective. The most enticing carrot would be substantial and rapidly delivered relief on an external debt approaching $40bn.

The Commonwealth should be in the forefront of efforts to convince creditors that a radical review is needed if Africa's second largest economy is ever to recover.

In return for rapid, phased, but substantial debt relief Nigeria must do more than implement an economic reform program.

It must allow on the spot monitoring of key ministries – oil, finance, and central bank. And however distasteful the prospect, the army must be party to the process.

A demobilisation fund, drawing oil receipts which are currently diverted into army pockets, should be used to win the soldiers support for Commonwealth monitored elections.

The army will only co-operate if there is a well-funded programme with several objectives: to help reduce the size of the army by retraining those who want to leave; improve living quarters; and above all, provide golden handshakes to officers who want to leave, and provide retirement gratuities for those who stay.

Its faults notwithstanding, the Commonwealth is well equipped to play the role of convener and honest broker.

There is just one thing missing: the passion and the fervour that the Commonwealth brought to its campaign to end apartheid. Ken Saro-Wiwa's death should help rekindle it.

COMMENT & ANALYSIS

FINANCIAL TIMES
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Allies in disarray

Even the most loyal Nato officials can no longer pretend, after the collapse of Ruud Lubbers's candidacy for the secretary-generalship, that all is for the best in the best of all possible alliances. His rejection by the US is a serious blow to trans-Atlantic co-operation. Urgent efforts must now be made to secure a replacement acceptable to both sides.

The identity of the secretary-general ought no doubt to be a secondary matter. Nato is primarily a military organisation, run by military commanders. Its political direction comes from the 16 governments of the member states, represented in the North Atlantic Council. Still, the secretary-general has to foresee and if possible defuse problems among the allies, remind them of commitments they have made to each other, and ensure that alliance interests are kept in mind when national priorities are set.

Manfred Wörner, the last secretary-general but one, helped define the alliance's changing role after the cold war. That task is far from complete, as Nato prepares to implement a possible peace agreement in Bosnia, and to decide which central European countries it should admit as new members of the alliance. So there was no excuse, once it was clear that Willy Claes would have to relinquish his post, for member governments to approach the choice of his successor with anything but the utmost care.

Over the last year or two, thousands of words have been uttered by political leaders about the importance of strengthening trans-Atlantic ties and improving channels of communication. In the EU, the Spanish government has made this the main theme of its presidency.

Channels failed

But desirable as such channels may be, they will only be useful if the governments concerned actually use them. Those governments that belong to Nato already have all the channels they could possibly want, both bilateral and multilateral, and they never cease proclaiming their desire to work together. Yet when it came to such a central task as choosing a new secretary-general these channels failed spectacularly to work.

The US found Mr Claes easy to work with, partly no doubt because his troubles at home ensured that he kept his head down. US officials did nothing to prepare for his eminently foreseeable departure. They gave the impression that it was for the alliance's European members to choose the next holder of this post traditionally held by a European.

Then, when the Europeans agreed on someone who appeared highly eligible – the experienced and respected former prime minister of a country with impeccable Atlanticist credentials – the US effectively vetoed him. The Europeans understandably feel hurt by this, but cannot avoid their share of the blame. It seems amazing that the UK, in particular, should have given public support to a candidate without first making sure he was acceptable to the US.

Bruising wrangles

Mr Lubbers was faulted for not being "up to speed" on Bosnia. That defect would no doubt have been quickly remedied had he won the job. But the accusation shows how much Bosnia has already damaged the alliance. Not long ago US officials would have assumed almost automatically that a candidate good enough for the UK would be good enough for them. But the endless bruising wrangles over Bosnia have left them deeply suspicious, especially when Britain and France have agreed a common position.

However irritating they may find the US's performance, Nato's European members have to accept that the central purpose of the alliance is to sustain the US commitment to their security. No secretary-general will be the slightest use unless he (or she) enjoys American confidence. It is tempting to think the problem could be solved by giving the job, for the first time, to an American – but, given the sharp divisions within the US, that could easily be counterproductive. The search must be renewed for someone who can credibly represent Europe in assuring Americans of its continued commitment to the alliance, and reminding them why Europe both needs and deserves their continued support.

The backlash on governance

One of the more surprising features of the Cadbury committee's report on corporate governance was that its publication met with a relatively muted backlash from British business. It looks increasingly as if Sir Richard Greenbury's report on directors' remuneration will prompt a more robust response. Because of the row it provoked in July over the taxation of share options, the report's central recommendations failed to attract the attention they deserved. They are tougher than expected. And the cumulative impact, on top of Cadbury, is such that hostility is building up over the direction taken by the corporate governance bandwaggon.

Last week Mr Ian Lang, trade and industry secretary, welcomed the support which Greenbury had received since publication. He is apparently deaf to the onslaught of Lord Young, chairman of Cable & Wireless, who recently declared that Cadbury and Greenbury were more damaging to British industry than the social chapter of the Maastricht treaty. Others have complained, in less contentious terms and with more justice, that the governance agenda has become too narrowly preoccupied with restrictive codes at the expense of enhanced performance.

Some question the need for a successor to the Cadbury committee at all; and those charged with finding a chairman for it appear to be having remarkable difficulty persuading anyone to do the job. An announcement on the appointment has once again been deferred. There is thus a big question mark over where corporate governance goes from here.

Corporate failures

The best reason for pressing ahead with Cadbury Mark Two is that if contentious governance issues are to be sorted out by the private sector, this is the obvious forum in which to do it. The original committee's reason for addressing issues of accountability was that its sponsors asked it to do so, in the wake of several corporate failures that exposed weaknesses in governance.

The terms in which Cadbury provided for a successor body need not preclude a shift in the balance from accountability to efficiency, especially in relation to smaller listed companies. A further debate on where to draw the line here would be welcome. Yet there can be no escape from continuing stress on accountability, if Greenbury is to be implemented.

When companies confront the committee's requirements fully, there will be squeals of anguish. The disclosure provisions in relation to remuneration policy and performance criteria are demanding. With pensions, revealing details of the full actuarial cost of raising directors' pay risks causing public anger.

Quality managers

Under Greenbury, the role of the chairman of the remuneration committee is uncomfortable, since he is personally required to justify the committee's decisions to shareholders. Definitions of independence in relation to non-executive directors on the remuneration committee are tougher than in the Cadbury report. And Greenbury calls for voluntary adjustments – ie, cuts – to pay packages at utilities, which it describes as richer than required to recruit, retain and motivate quality managers.

These recommendations were a carefully judged response to justifiable public concern. They have government support. To retreat from them, in the face of pressure, would thus be damaging. If there is an increased burden on business, that is a price that has to be paid to put right the damage done by the top pay fiasco.

The worry must be that the present backlash is symptomatic of the weakness of an approach that depends on exhortation and non-statutory sanctions. If consensus is lacking, it cannot be fully effective. In addition, the involvement of a wider group of representative bodies in Cadbury's proposed successor committee may result in a bias not towards efficiency or accountability, but to the lowest common denominator of bureaucratic prescription. Sir Adrian Cadbury and Sir Richard Greenbury made a solid job of their unrewarding mandates. But it is hard to be optimistic about what comes next.

The FT Interview · **Zhu Rongji**

Beijing's blueprint for reform

China's reticent tsar goes on the record to tell **Tony Walker** and **Peter Montagnon** there will be no turning back in the fight against inflation or in seeing through the country's reform agenda, which he expects to accelerate next year

Mr Zhu Rongji, the executive vice-premier in charge of the economy, is one of China's most powerful figures. He is also among its more reticent leaders when it comes to sharing views with the western press.

But in a forthright discussion in Beijing's Zhongnanhai leadership compound last week, the 67-year-old Mr Zhu outlined China's economic agenda for the next five years and beyond. In the process he ranged across the structural and fiscal challenges facing the world's fastest-growing major economy at a critical moment in its transformation from a centrally planned to a market-based system.

He was also at pains, it seemed, to reassure foreign investors that China would stay the course in its reforms and was committed to broadening its integration with the world economy. His statement that China plans to make its currency convertible on the current account well ahead of schedule – the authorities had been talking about 1998 – was clearly intended to signal bolder reforms to the external sector in line with requirements of the world trading system.

His comment that it was a "must" for China to reduce its high tariffs, which stand at 35 per cent compared with an average of 15 per cent for all developing countries, was part of the same message. China understood the need to push ahead faster with trade liberalisation both to make its domestic economy more competitive and to satisfy requirements for entry to the World Trade Organisation.

Mr Zhu, whose public image is that of a stern technocrat, appeared relaxed, allowing himself the occasional earthy observation, delivered in the accent of his native southern Hunan province. He was intent, it appeared, on responding indirectly to suggestions that he had somehow lost his reformist zeal.

After a difficult two years, during which he has shouldered much of the burden for overseeing efforts to calm an overheating economy in his role as China's economic tsar, Mr Zhu indicated he believed the worst was over. But he emphasised there would be no turning back in the fight against inflation, which reached 21.7 per cent in 1994.

His observation that China's economy had not yet achieved a "soft landing" was clearly aimed at countering persistent demands from the business community for an easing of credit restrictions now that price rises are abating. Gross domestic product growth has come down to about 10 per cent, from 11.8 per cent in 1994, and an inflation target for the year of 15 per cent is within reach.

Mr Zhu appears to feel the need to continue reminding state enterprise bosses and provincial officials that recent gains can easily be squandered. This role as China's harbinger of bad news has not endeared him to managers of credit-starved enterprises, nor to private businessmen who plunged into the property boom of 1992-93.

However, he displayed no reservations about the course set in July 1993 with the introduction of a 16-point austerity programme, described by the Chinese as their "macroeconomic control" policy.

"Many people abroad confuse China's macro-control measures with tightening credit," he says. "This is not correct. We are not excessively tightening credit. To put it more correctly, we are readjusting the direction of our investment."

He also pledged that China would continue to guard against what he described as "speculative activities" in the money markets and property sector. "I want particularly to point out that in 1993, when our economy was overheated, it was ... overheated in the property area. If we hadn't adopted resolute measures to restrict its development at that time, we would now face a worse situation than Japan."

That Mr Zhu should have chosen to speak on the record indicated satisfaction with progress in efforts to bring the economy under control and probably reflected a feeling that his own position has stabilised.

His star, which had burned brightly before 1993, appeared to wane somewhat in the past year – it was inevitable the austerity programme would have earned him enemies – giving rise to a view that he might have lost ground in the leadership.

But in the 90-minute interview he gave no sign of these pressures: on the contrary, he spoke with authority about China's reform agenda, and also allowed himself a moment of self congratulation when he noted: "In July 1993 when I became the governor of the central bank, China's foreign exchange reserves were only $18bn. Today, I am no longer governor [he stepped down in July], but by October 31, our foreign reserves had reached $72.9bn – a fourfold increase."

He also appeared anxious to convey the message that, in spite of a period of pause in the crucial area of state enterprise reform, the government was preparing to move forward more quickly next year.

Reform measures, he said, had been concentrated in the "macro economic area, meaning reform in the fiscal, banking, taxation, foreign trade, foreign exchange and investment sectors". But China had "not had time yet to focus on the micro aspects of the economy, and one of the key issues of micro reform is the reform of state enterprises".

"Next year we will spend more time and energy on the reform of the state enterprises," he said of plans to earmark 1,000 key enterprises for [corporatisation] out of China's 14,000 large and medium-sized state firms. Some 40 per cent of these are loss-making.

Reform of loss-making state enterprises was in turn linked with the commercialisation of the banking sector. Banks could not become commercial entities in the western sense while their loan portfolios were weighed down with the bad debts of the state sector. "If the state banks are to be genuine commercial banks we have to await the completion of the reform of the state-owned enterprises, and we will try to attain that goal by the end of the century," he said.

In his observations about the way ahead, Mr Zhu appeared to be working very much to a five-year programme. Thus state enterprise reform would be carried out by 2000. In addition, the banks, would be commercialised over the same period, and other important elements of the reform process – such as trade liberalisation – would also be advanced. That, at least, is the theory, and Mr Zhu seemed not to be in any doubt that significant progress would be achieved.

In his five-year blueprint, Mr Zhu would clearly like to move faster, as his comments about currency convertibility and tariff reform indicate, but he also knows that in complex areas such as financial sector reform he needs to be mindful of the risks involved. The freeing of interest rates and the introduction of open market operations is clearly a priority, but these reforms are constrained by implications of market-based interest rates for struggling state enterprises, many of which are barely in a position to service the interest on their present preferential loans.

"It will take time before the banks in China can make timely adjustments to the national economy by utilising the tools available to them including interest rate, exchange and open market operations," he said.

Mr Zhu's observations about the need for further trade liberalisation to satisfy requirements for membership of the WTO, were also accompanied by a caution that China would not yield on its demand that it be regarded as a developing country for the purposes of entry. "By any measure China is still a developing country ... No matter how much desire we have to become a member of the WTO, China should not be expected to assume the obligation for a developed country."

Mr Zhu also made it clear that reform of tariffs would be linked with changes to the tax system, including a gradual phasing out of incentives for foreign invested enterprises to satisfy the national treatment requirements of WTO. At present, joint ventures pay corporate tax of 15 per cent, while Chinese enterprises are being taxed at more than 50 per cent.

"China has the determination to reduce the high tariff rate now but, of course, it is impossible to finish the job within a single year," he said. "If we reduced the tariff rate by such a wide margin, and at the same time stopped the tax exemption treatment enjoyed by foreign enterprises, ... we would have a budgetary crisis because we would have no revenue."

Mr Zhu said he doubted that the gradual phasing out of preferential tax policies would affect foreign investment: "I think anyone with vision would know that China offers a very big potential market, if not the biggest." Perhaps surprisingly, given the difficulties of the past two years, he was sanguine about the pace of the reform effort and the barriers to change. "The pace of progress has generally been the same as we envisaged," he said. "Originally, we had anticipated more risk, but as it turned out, we have seen less risk and more success."

OBSERVER

Gimme some blue sky?

■ What is Sol Kerzner, South Africa's answer to Donald Trump, up to? He has stepped down from the chairmanship of Sun Bophuthatswana, which controls Sun City, South Africa's premier gambling joint.

Only last month Kerzner was hosting the 1995 ABTA convention for the UK travel industry at the mega resort, two hours drive from Johannesburg, where he built his fame and fortune.

Kerzner, whose web of hotels and resorts has made him the major player in South African tourism, said at the time that he was "very bullish about my country being a major player in international tourism".

It seems strange that he is bowing out just when South Africa is on the brink of becoming one of the world's hottest tourist destinations.

Although he has turned 60 and is reckoned to be a billionaire, he shows no intention of retiring from his punishing work routine. He still owns 10 per cent of Sun International Management, which manages the South African resorts.

For whatever reason, he seems far more fascinated at the moment in his risky overseas gambling ventures, such as the $250m Atlantis resort on Paradise Island in the Bahamas and a casino joint venture with the Mohegan Indians in Connecticut.

Puppy grows up

■ When futures brokers move clients' positions around too frequently, they are accused of "churning". So what happens when those that regulate them swap job slots in short order?

It is but a year since Mary Schapiro was confirmed as chairman of the Commodity Futures Trading Commission. Now her name tops the list of candidates to lead the newly formed, and still unnamed, enforcement arm of the National Association of Securities Dealers (NASD).

The Nasdaq stock-dealing system has teetered on the edge of scandal all year, and badly needs a tough enforcement official. Schapiro is in demand because she has impressed in her brief spell at the CFTC.

Poor cousin to the much larger Securities and Exchange Commission, the CFTC had lacked a permanent helmsman for more than two years before her arrival. It had also long been accused of excessive cosiness with the industry.

But within months Schapiro, a lawyer who had seven years' experience as an SEC commissioner, had reorganised the CFTC's enforcement division; she had won a budget increase she funneled into the enforcement area; and she had issued several swift and shattering disciplinary rulings. Derivatives dealers were on notice that the puppy dog was belatedly growing teeth. She also shone in the Barings crisis, when she encouraged regulators to share information, thereby helping to avoid global gridlock.

The NASD would be a bigger pond for her. But futures industry executives rather hope she will stay put. They dislike many of her measures, but they know that better regulation means a much-needed fillip for their business's reputation.

Trouser press

■ OK, OK. So Observer is a few basis points short of a discount rate cut when it comes to enumerating the world's female central bank governors. In last Friday's note, following the ousting of Tatiana Paramonova in Russia, we tentatively suggested that Hungarian Hanna Gronkiewicz Waltz might be the sole representative of her sex governing a central bank. Temporary myopia, on a north-easterly and north north-easterly bearing, has been diagnosed by a couple of readers. Sirkka Hamalainen has of course been in charge in Finland for the past three years, while Bodil Nyboe Andersen took over the Danish central bank at the beginning of the year. Just one other thing. Perhaps the next female to scale these heights could be someone with a shorter name?

Moi?

■ Alain Juppé'a government, mark II, drew praise indeed over the weekend from Jean-Claude Gaudin, the Gaullist senator who heads the regional council of Provence-Alpes-Côte d'Azur. "It is much better than the previous one," opined Gaudin, who is also now the mayor of Marseilles. Actually Gaudin has just added further to his bulging portfolio, becoming Juppé's new minister of local development, urban affairs and integration.

Might be right

■ Still on France, an advocate has just overturned a court ruling to expel as an illegal immigrant Nourredine Hamidi, a 44-year-old Algerian who has been brought up in the country since he was one. Fighting the injustices of the interior ministry was one Marine Le Pen, daughter of Jean-Marie, leader of the extreme right-wing National Front party. She is a paid-up member of her father's party and its legal adviser. But she argues that the case against her client is unjust, and that the National Front does not believe in aggression against individuals. Too bad many of the party's supporters don't behave like her.

The Financial Times

100 years ago

American iron trade
The iron trade of the United States is prospering in the opinion of the New York "Engineering and Mining Journal." The pig-iron production for October – nearly 1,000,000 tons – was at a higher figure than has ever been reached in the country. The total output for 1894 was nearly 900,000 tons less than that produced up to date in the present year.

50 years ago

No more women
As from 24th of March next, the Stock Exchange Council proposes to withdraw permission for the admission of women to the Settling Room. Under Temporary Regulation 7, members could employ a woman as a Settling Room clerk on completion of Form 22A in the Appendix, one of the terms being that permission would terminate on repeal of the Temporary Regulations. The Council considers that the admission of women to the Settling Room, a temporary war measure, will no longer be necessary after 24th March next, by which date the Council will require such clerks to be withdrawn by their employers.

FINANCIAL TIMES

Monday November 13 1995

France backs Germany on Emu penalties plan

By David Buchan, Andrew Jack and John Ridding in Paris

France agrees with Germany on the *need for penalties* to *enforce* budgetary disciplins among countries belonging to the planned European monetary union, Mr Jean Arthuis, the French finance minister, said in an interview.

He enthusiastically endorsed the suggestions of Mr Theo Waigel, the German finance minister, wbo called last Friday for members of the future monetary union to adopt a "stability pact".

Mr Arthuis said work on it sbould begin at once, even though monetary union was three years off and its membership uncertain. "All those countries which intend to be in monetary union must look ahead – to avoid accidents and to prevent underhand behaviour."

However, Mr Arthuis refrained from immediately endorsing Mr Waigel's call for automatic fines on Emu participants which persisted in running budget deficits above the Maastricht treaty target of 3 per cent of GDP.

He said he was "still pondering" the specific nature of sanctions for excessive deficits. But he made clear that France was just as keen on the separate issue of sanctions to deter countries *which were likely* to *stay outside* Emu, such as Italy, from devaluing their currencies and taking trade from those inside Emu.

His comments came ahead of a series of important policy initiatives to be unveiled this week by the French government. It should announce plans to wipe out the country'a FFr60bn ($12.32bn) annual social security deficit over the next two years, to prune public spending by a further FFr20bn, to hold this year'a budget deficit to FFr322bn, and to wrap up parliamentary debate on a 1996 budget aimed at bringing the deficit below FFr290bn.

Banks make plea on monetary union .... Page 2

Mr Arthuis played down concerns about Franca's slowing economy and signs of a crisis of confidence among consumers, in spite of rising unemployment in August and September and a stndy released last month by Insee, the national statistics institute, showing that the public was more pessimistic about economic prospects than at any time since the end of 1993.

The finance minister argued tbat confidenca was being restored by the government's tough line on cutting budget deficits, outlined by President Jacques Chirac and confirmed after last week's cabinet reshuffle.

He said the government'a commitment to reducing the public deficits was enabling the reduction in interest rates necessary to stimulate the economy and shift aavings towards consumption. "Savings are so high because there are easy returns from high interest rates; we have to remove this easy rent," he said.

Mr Arthuis emphasised that the elimination of the deficit by 1997 – the objective set by Mr Alain Juppé, prime minister – would be achieved through spending curbs and increased rigour in managing the welfare system. The elimination of the social security deficit is a central element of the government's effort to aatisfy the conditions for Emu.

Disputes likely over EU rules on media ownership

By Emma Tucker in Brussels

Controversial plans to harmonise media ownership rules in the European Union are to be revived by the Commission, a move certain to rekindle arguments with member states.

The proposals, which form part of the Commission's new work programme to be presented this week, aim to set common standards across the EU on bow many media operations a company or individual can own. They are broadly similar to plans dropped a year ago when Brussels accepted they were unlikely to be approved by member states.

Their reintroduction has angered Germany and Britain, which remain strongly opposed to measures which they say breach the principle of subsidiarity. But Mr Mario Monti, the aingle market commissioner, believes he can improve on the plans. He argues they are essential for encouraging cross-border investment in Europe's growing media industry.

"The idea is to get rid of the disparities of national legislation which for the time being hamper cross-border activities," said a Commission official. "There is a risk that the enormous potential for growth in the media sector, especially in the new digital services, will not be used properly because of these disparities."

Brussels is conscious of the sensitivity of the proposals and wants to dispel any idea of a centralised European media authority, stressing that national authorities will oversee the regulations.

But some countries are not convinced of the need for action at EU level. "The idea is fraught with difficulties and I think the chances of member states being able to agree on common rules are pretty slim," said a British diplomat. Harmonisation is also unpopular in Germany where the Länder (states) do not want to concede authority over media ownership rules.

Commission officials believe the current hotchpotch of rules is seriously disabling the industry. For example, media companies in Germany are allowed to own only two satellite channels. "If BSkyB wants to offer a package of six channels to a German audience, it is unable to do so," said a Commission official.

Mr Monti, who has the backing of many influential European media companies, is expected to present the completed proposals in the first half of next year. Meanwhile, officials are working on the problem of bow to measure "ownership". The final definition is likely to involve an examination of a company'a audience share and the "controller" behind its investment.

Lloyd Webber targets Express, Page 22

THE LEX COLUMN

Not Shell-shocked

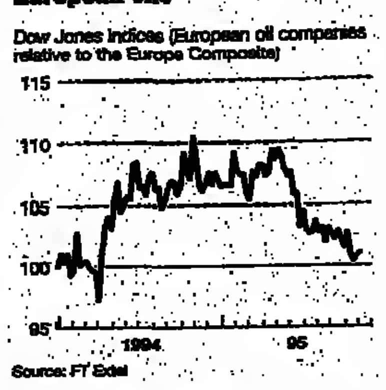
Friday's brutal execution of Mr Ken Saro-Wiwa has sparked debate over whether to embargo Nigeria's oil exports. That might seem to spell trouble for oil companies active in Nigeria, *notably* Shell. But in *fact* investors can afford to take a sanguine view. Whila the US, UK and other countries are happy to ban arms sales to Nigeria, they are reluctant to stop oil exports. This may be partly because they are worried that such economic pressure could destabilise the country; but it is also because their own economic interests lie in keeping the oil flowing. Tha US is the biggest importer of Nigeria oil, while Britain is concerned not to damage Shell's relationship with the country.

Nigeria is unlike Iraq, where an oil embargo made sense on grounds of *realpolitik*. Nor is Nigeria like South Africa, wbere apartheid so ignited worldwide public opinion that considerations of *realpolitik* were overriden and sanctions imposed. Without the race issue, a dictatorship – however harsh – is unlikely to provoke tha same moral indignation.

If an embargo were imposed, the impact on Shell could be positive. Although the giant operates Nigerian oilfields producing 900,000 barrels a day, its economic interest is only 250,000 barrels – roughly 8 per cent of its worldwide production. Moreover, because there is little slack in the world oil market, cutting off Nigeria's supply would drive cruda prices higher. It would only take a $1 or so on prices to compensate Shell for losing its entire prodnction.

European oils

Dow Jones indices (European oil companies relative to the Europe Composite)



Source: FT Extel

Eni

The Italian treasury'a biggest ever privatisation – the sale of up to a quarter of Eni, the oil and gas giant – is a crucial test. It is the first of a batch: stakes in Enel and Stet are lined up for sale within the year. If Eni is a flop, the chances of using a stream of sales to cut Italy's debt will disappear.

The price, to be fixed between L5,250-L6,000 per share, is in line with the oil sector. Given that Eni benefits from a strong stream of steady earnings from its gas supply business, which other oil companies do not have, it looks cheap. But, as British Gas shareholders know to their cost, gas monopolies cannot maintain high margins for ever. Ultimately, customers start demanding competition or at least regulation. The Italian government's need to prop up the value of its own holding, though, offers some protection. This also means it is less likaly to rewrite Eni's favourable upstream tax regime.

International investors are likely to bid low for more short-term reasons. They are jittery about the oil price and they have to make up their minds before next week's Opec meeting. Moreover the share price will be badly exposed to political risk: the group will account for nearly 15 per cent of the Italian market and will still be state-controlled. So the treasury may have to put up with a price towards the bottom of the range. It can probably live with that, as it is keen to see the shares perform well after they are sold. It can always consola itself that if the share price does steam ahead, future privatisations will get a boost.

Cash flow

European investors are increasingly confronted by a new acronym: Ebitda. The term – which means earnings before interest, tax, depreciation and amortisation – has long been a favourite among US investors. As US shareholders increase their ownership of European stocks, the term is crossing the Atlantic.

Ebitda, which is also loosely known as operating cash flow, has several attractions by comparison with more familiar valuation measures such as earnings per share (eps) and price/earnings ratios. One is that, by stripping out depreciation, it avoids many problems that stem from different accounting and depreciation practices. Such difficulties are especially severe when comparing companies in different countries – which is why Ebitda is particularly in vogue among cross-border investors.

Another feature of Ebitda is that it is blind to a company's gearing. Eps, on the other hand, can be skewed by a company's capital structure: higher gearing typically boosts eps. There is nothing wrong in that. But a company with higher gearing will also have more volatile eps and should therefore enjoy a lower p/e ratio.

Ebitda sidesteps differences in capital structure by stripping out interest payments, which means there is no point comparing it to market capitalisation. The normal practice is to relate Ebitda to "enterprise value" (EV) – debt plus market capitalisation – since operating cash flow has to service creditors as well as shareholders. As such, Ebitda also comes close to the cash flow valuations used by corporate financiers in takeovers and company restructurings.

But Ebitda is not a holy grail. Although the measure strips out much that is misleading, it removes valuable information too. Take tax. A company with a low tax charge is more valuable to investors than ona paying high taxes. Eps makes a distinction but Ebitda does not. It is precisely in cross-border comparisons – Ebitda's particular strength – that tax differences can be significant.

Stripping out interest payments is also a mixed blessing. The implication of using EV/Ebitda multiples is that a company's capital structure is irrelevant to shareholder value. This is an extreme hypothesis. One only has to look at the UK's regional electricity companies to see that higher gearing *can boost shareholder returns.*

But perhaps Ebitda'a biggest drawback is that does not take account of capital expenditure. Even if shareholders accept that depreciation is often arbitrary, they cannot ignore the fact that businesses must keep investing to survive let alone grow. Moreover, some companies – particularly those in capital intensive industries – have greater investment needs than others.

An appealing way of overcoming this problem is to adjust Ebitda for the amount of investment a company needs to make to maintain its business. The snag with this is that working out auch "maintenance capital expenditure" figures is fairly subjective. Still, the process of trying to calculate how much a business needs to invest can also be enlightening.

Some investors are so persuaded of the merits of Ebitda that they dismiss eps and p/e ratios as meaningless. This is over the top. Eps and Ebitda both have advantages and defects, and both should be in an investor's quiver.

Nigerian arms ban

Continued from Page 1

includes provision for bilateral and multilateral measures "by all member states, inclnding limitation of government-to-government contact, people-to-people measures, trade restrictions and, in exceptional cases, suspension from the association".

Although yesterday's move by the Commonwealth is seen as a significant step towards enforcing the Harare principles, the immediate impact on Nigeria and other military regimes is limited.

Although South Africa and Britain have recalled their high commissioners for consultation, no other African Commonwealth members have followed suit, nor have they announced support for an arms embargo.

French wine

Continued from Page 1

about 10 per cent this year, to 5,000 cases.

Beaujolais nouvean has never been marketed beavily in Australia, a bitter opponent of French nuclear testing, not least because of the logistics involved. "French wines really have not been promoted at all for the past six months," said an executive at Liqnorland, an arm of the Coles Myer retail group.

Is this year's vintage worth bothering with? Mr Deflache, of the Beaujolais association, says the new crop is "very good... rather complex, full and round". He says the greatest increase in orders is coming from France itself, which previously treated the wine haughtily.

Top executives urge end to obstacles in US trade with EU

By David White in Seville

Top industry executives from both sides of the Atlantic issued a plea at the weekend for firm steps to eliminate remaining obstacles to trade and investment between the US and the European Union.

About 100 business leaders called for "all possible measures" to liberalise trade, inclnding some agreements as soon as next year and the setting-up of working gronps on tariff cuts in specific sectors. At a two-day meeting, also attended by senior US and European officials, they endorsed a wide-ranging list of recommendations, arguing that joint efforts were needed to keep the US and Europe competitive in world markets.

The US administration and European Commission, which promoted the ground-breaking Transatlantic Business Dialogue conference in Seville, promised to take the proposals into account for a US-EU summit in Madrid on December 3.

Some of the recommendations will be included in an "action plan" at the summit between President Bill Clinton, Mr Jacques Santer, bead of the European Commission, and Mr Felipe González, prime minister of Spain, which currently holds the EU presidency.

The proposala stndiously avoided tbe term "free trade area". Mr Peter Sutherland, former EU commissioner and chairman of Goldman Sachs International, said the two sides wanted to avoid giving the impression of "an inward-looking club". If implemented, the recommendations would make "a dramatic change". Mr Ron Brown, US commerce secretary, promised to report by the end of March on the progress made.

A mixed government-industry advisory committee is due to be set up in the next two months to monitor moves on barmonising regulations and standards.

Mr Alex Trotman, Ford chairman, told the conference that putting the proposals into practice would take "months and years" of work.

The industrialists called for negotiations to be completed next year on mutual recognition of standards in specific sectors including electrical, telecommunications and computer products. They also emphasised the need for mntually accepted safety and environmental rules for cars.

The US and EU should seek agreements by the end of 1996 on information technology and access to government-funded research and development, they said. They sought commitments to end restrictions in public procurement and to work towards a multilateral agreement on investment.

The conference document also expressed strong opposition to unilateral trade sanctions.

Conference details, Page 2

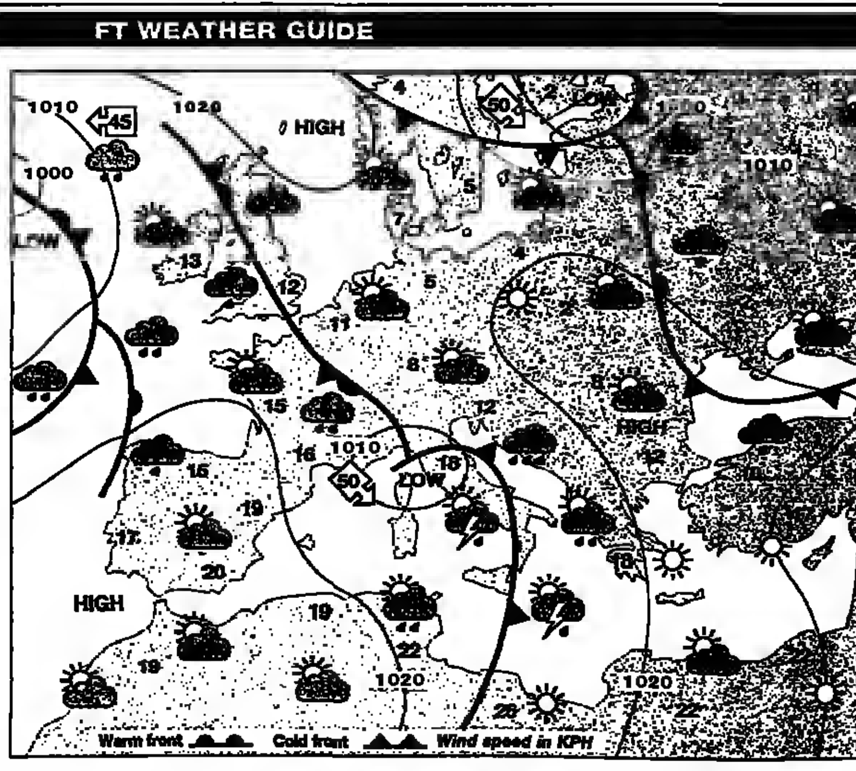
FT WEATHER GUIDE

Europe today

Light rain or drizzle will fall in England, Wales and Scotland. Ireland, however, will remain dry with a few sunny spells. High pressure will bring dry and sunny conditions to central and eastern Europe and the Balkans. Winds will be light and temperatures seasonable in this region. In contrast, southern France and northern Italy, will have heavy rain, while thunder showers will erupt over central and southern Italy. Further west, a ridge of high pressure will bring dry conditions and sunny spells to Spain, but it will become rainy in northern Spain and northern Portugal during the afternoon.

Five-day forecast

Rain will fall in Ireland and western France on Tuesday and then spread across England, the Benelux and northern France on Wednesday. More showers are expected in Italy and Greece. High pressure will continue to bring dry and generally sunny conditions to eastern Europe, while southern Scandinavia will turn colder at the and of the week.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES (Maximum Celsius)

City		°C	City		°C	City		°C	City		°C	City		°C	City		°C
			Beijing	sun	13	Caracas	fair	31	Faro	fair	20	Madrid	fair	13	Rangoon	fair	34
			Belfast	drzzl	12	Cardiff	cloudy	12	Frankfurt	sun	7	Majorca	sun	16	Reykjavik	sun	6
Abu Dhabi	sun	29	Belgrade	fair	13	Casablanca	fair	20	Geneva	rain	8	Malta	cloudy	22	Rio	rain	25
Accra	shower	32	Berlin	sun	5	Chicago	snow	3	Gibraltar	fair	18	Manchester	rain	12	Rome	thund	19
Algiers	shower	18	Bermuda	rain	24	Cologne	fair	10	Glasgow	cloudy	12	Manila	shower	31	S. Frsco	sun	22
Amsterdam	fair	10	Bogota	thund	18	Dakar	fair	29	Hamburg	sun	5	Melbourne	sun	27	Seoul	rain	14
Athens	fair	19	Bombay	sun	31	Dallas	sun	24	Helsinki	cloudy	6	Mexico City	fair	21	Singapore	shower	30
Atlanta	shower	12	Brussels	sun	11	Delhi	sun	30	Hong Kong	fair	26	Miami	fair	26	Stockholm	fair	3
B. Aires	sun	17	Budapest	fair	5	Dubai	sun	30	Honolulu	fair	28	Milan	rain	11	Strasbourg	fair	7
B.ham	rain	11	C.hagen	sun	5	Dublin	cloudy	13	Istanbul	cloudy	13	Montreal	fair	-2	Sydney	cloudy	22
Bangkok	cloudy	31	Cairo	fair	22	Dubrovnik	thund	16	Jakarta	thund	32	Moscow	snow	-6	Tangier	fair	16
Barcelona	sun	17	Cape Town	sun	26	Edinburgh	drzzl	12	Jersey	cloudy	13	Munich	fair	6	Tel Aviv	fair	20
									Karachi	sun	32	Nairobi	cloudy	27	Tokyo	fair	16
									Kuwait	sun	24	Naples	rain	18	Toronto	snow	0
									L. Angeles	sun	28	Nassau	shower	26	Vancouver	rain	12
									Las Palmas	fair	25	New York	cloudy	8	Venice	rain	13
									Lima	cloudy	22	Nice	rain	17	Vienna	cloudy	5
									Lisbon	cloudy	18	Nicosia	sun	22	Warsaw	sun	3
									London	drzzl	13	Oslo	cloudy	-2	Washington	cloudy	8
									Lux.bourg	fair	6	Paris	drzzl	11	Wellington	cloudy	15
									Lyon	rain	11	Perth	fair	25	Winnipeg	cloudy	-7
									Madeira	fair	22	Prague	cloudy	4	Zurich	cloudy	8

FINANCIAL TIMES
COMPANIES & MARKETS

Monday November 13 1995

MARKETS THIS WEEK

TONY JACKSON:
GLOBAL INVESTOR
For the past two decades, the US growth rate has been well below the historic average. Now the economy is ready to take off again. The Federal Reserve stands accused of bottling up this potential for fear of inflation. But inflation, even on overstated official figures, is no longer a threat. Page 24

MARTIN WOLF:
ECONOMIC EYE
China'a industrial dynamism is in large part explained by the rapid growth of enterprises that are run by its townships and villages. Meanwhile, resources are being wasted in state-owned enterprises, which absorb about three-fifths of fixed investment. These locally owned enterprises are like bumble bees. They fly, but how? Page 24

BONDS:
The syndicated loans market is once again abuzz with talk that interest margins are on the rise, though many say that's wishful thinking. Page 28

EQUITIES:
The withdrawal of two offerings last week, Pioneer Goldfields and Far Eastern Textiles, has raised fears that the primary equity market is closing down earlier than usual this year. Page 27

EMERGING MARKETS:
Investors expect a measure of sanity to return to Mexico's financial markets this week following a surprise central bank intervention last Thursday. Page 26

CURRENCIES:
The initial focus of the foreign axchanges this week is likely to revolve around the US budget battle, with the unthinkable prospect of the US government delaulting on its debt if no solution is reached. Page 26

COMMODITIES:
A warning that platinum's prospects were being damped by the increasing use of palladium in catalysts used to clean car exhaust emissions was delivered by Mr Michael McMahon, chairman of Impala Platinum, the world's second largest producer. Page 24

UK COMPANIES:
Mr Brian Gilbert, a leading publisher in the business-to-business magazine sector, is planning to merge two companies he bought from the administrators of the Maxwell Communication Corporation and seek a full quote. Page 22

INTERNATIONAL COMPANIES:
Scandinavian Airlines System (SAS) continued its earnings recovery in the third quarter, taking pre-tax profits for the first nine months to SKr2.14bn ($322m). Page 23

STATISTICS

Murdoch buys Carolco for $50m

By Christopher Parkes in Los Angeles

Carolco Pictures, the tronbled US independent film maker, has been bought by Twentieth Century Fox, Mr Rupert Murdoch's movie and television production subsidiary.

Carolco, which had a reputation in Hollywood for budget over-runs typical of an earlier age, was sold for about $50m (£32m).

Twentieth Century Fox, an offshoot of News Corp, is taking over the Carolco library – its principal asset – and partial rights to films yet to come, including a potential world hit based on the Spiderman cartoon character.

Creditors, including French-owned Metro-Goldwyn-Mayer and Canal Plus of France, are expected to be repaid a portion of their lendings from the sale, with more to come – possibly – from the proceeds of the pirate film, *Cutthroat Island*, soon to be released, and a remake of *Lolita*.

The deal ended a 20-year career in which the company's dozens of films generated an estimated $3bn gross.

Mr Mario Kassar, chief executive and co-founder of the company, resigned on Friday, although there were reports that he might shortly return as a fixed-fee-earning prodncer on projects at Carolco or at Cinergi, another independent company established by his former partoer at Carolco, Mr Andrew Vajna.

Mr Kassar and Mr Vajna were considered masters of the art of raising financing by selling their movies in advance into foreign markets.

Despite producing hits such as the *Rambo* series and *Basic Instinct*, the company had been dragged to the brink of collapse by a combination of high-spending and increasingly heavy risk premiums damanded by backers, distribntors and suppliers.

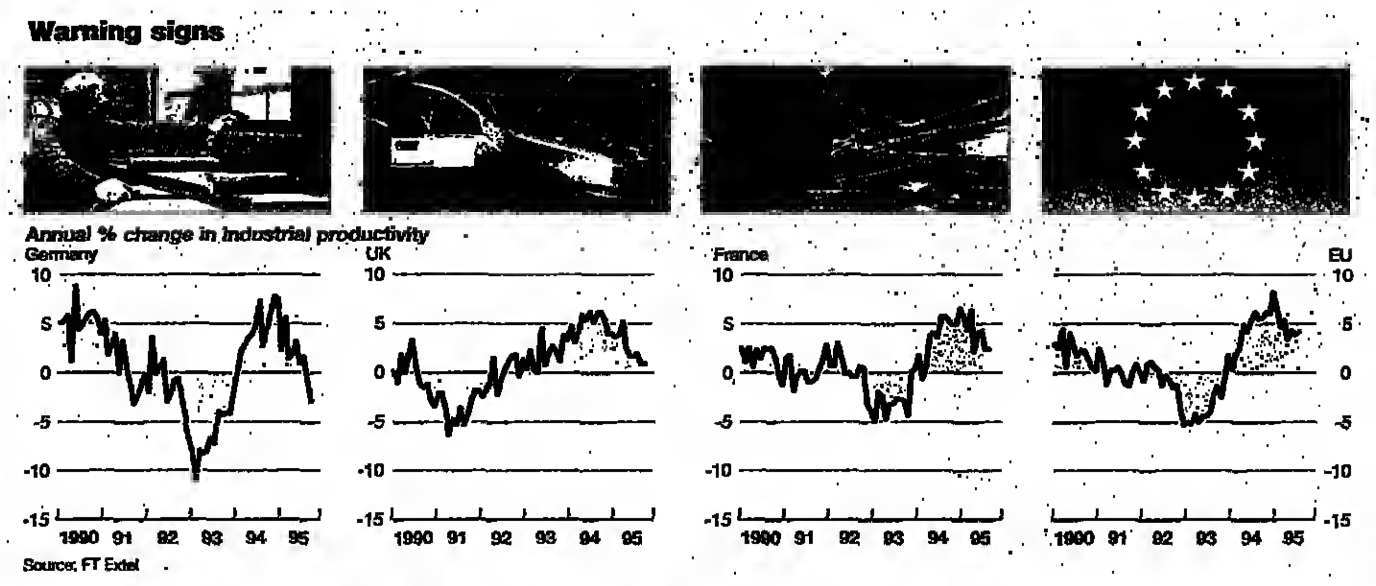
Residual profits from the successes also tended to be swallowed up by losses from flops, such as *Chaplin*. But Carolco was ultimately defeated by the ferocious competition in the domestic market and its failure to control costs. The company is widely credited with starting the escalation in star fees when it paid Mr Michael Douglas $12m for his role in *Basic Instinct*. Mala film stars, such as Mr Sylvester Stallone, are demanding about $20m a film.

As several potential hit films have sunk almost without trace in a mass of US autumn releases, doubts have been raised about the survival rate of the dozen or so Hollywood movies due for release over tha holiday season.

Many European groups are seeing a slowdown in the pace of the modest recovery

Horizon scanned with caution

Warning signs



Source: FT Extel

Europe's companies are bracing themselves for an economic slowdown. Even though many groups have posted strong profit increases in recent months, they are becoming increasingly cautious about the outlook.

There are exceptions, notably among companies exporting to high-growth markets such as China and in expanding industries including computers. But the overall view from the boardroom is that demand has weakened since the summer.

As Sir David Lees, chairman of GKN, the diversified UK motor components group, says: "I can't see it in the order book. But I can feel it. Sentiment has got weaker."

His remarks have been echoed in Germany by Mr Hans Meinhardt, chairman of Linde, the industrial gronp, who has noted "a significant decrease in economic growth", especially in the home market. And in France, Peugeot-Citroën, the vehicle maker, has warned of "an absence of recovery" in the countries of western Europe.

Few speak of recession, merely of a slowdown in the pace of the fairly modest recovery which begun in the UK in 1991 and spread to the Continent in 1992. The talk is not of an end to growth but of a pause. However, each bit of bad economic news multiplies worries about bow long that pause might last.

The voices of caution are by no means unanimous. Mr Jürgen Strube, chairman of BASF, the German chemicals group, last week said: "We see no signs as yet of a general economic downturn."

However, recent surveys of business sentiment suggest Mr Strube is in a minority. In Germany, the DIHT, the umbrella group for chambers of commerce, warned in a twice-yearly report last week of weakening business confidence, faltering investment and rising unemployment. In the UK, both the Confederation of British Industry and the Institute of Directors, the two main business organisations, have published quarterly surveys showing confidence falling sharply to its lowest level since 1992. In France, a recent survey by Insee, the national statistics office, showed business opinion about prospects turning negative for the first time in over a year.

To some extent, the gloom is a reaction to excessive optimism late last year, when markets were buoyed by strong growth in North America and Asia, which lifted European exports and helped to raise prices in industrial raw materials.

As prices rose so downstream manufacturing companies built up stocks to protect themselves against further possible price increases. However, with exceptions, demand for manufactured goods from EU consumers remained flat – so the stock building had to stop. Industrial material prices are falling, not least because producers stepped up output to take advantage of higher prices. Plastics prices are 40 per cent off their spring peaks; steel prices have dropped since the summer by up to 10 per cent.

Economists still see growth in the main economies, but many are cutting forecasts, notably the French government's Isee which has cut its prediction for gross national product growth from 3.1 per cent to 2.9 per cent. In Germany, DIHT forecasts a slowdown next year to 2 per cent from 2.5 per cent this year. In the UK, new forecasts from private sector economists are averaging 2.7 per cent for GNP growth in 1996, down from earlier predictions of 2.9 per cent.

Underlying these revisions is a continuing weakness of consumer demand, born mainly of worries about unemployment. In the UK, consumers have not recovered from the housing slump. Real interest rates remain high in both the UK and In France. In Germany, there are fears that the rise of the D-Mark will prompt further big job cuts.

This uncertain outlook has coloured many recent company results announcements. While the profit statements covering periods np to the end of September have often been strong, the comments about prospects have been unexpectedly cantious. The contrasts have been sharpest for raw materials producers, because they have seen the greatests swings in prices.

For example, Stora, the Swedish forest products group, which last week announced results for the first nine months of 1995, saw a three-fold jump in pre-tax profits to SKr6.2bn ($932m). But it warned while demand for newsprint and magazine paper remained strong, orders for fine paper, packaging and pulp had declined.

In steel, Avesta Sheffield, the Anglo-Swedisb group, reported a four-fold increase in profits to SKr3.45bn for the nine months to September but said it was cutting output to meet a fall in orders for cold-rolled flat steel, its main prodnct. Industry executives will pay close attention to results dne today from British Steel for any similar warnings.

The news from the motor industry was generally gloomy, with weaker-than-expected profits at Sweden's Volvo and at Evans Halshaw, the British car dealer, which said the market had "dried up" in mid-August.

Engineering and electronics groups offered mixed reports, with evidence of progress from companies in compnters and computer-related business and from those in high-technology industrial equipment such as process controls.

ABB, the Swiss-Swedish engineering group, which posted a 61 per cent gain to $197m in the three months to September, said demand for capital goods bad been good. But Mr Percy Barnevik, chief exectitive, warned demand for cars and other consumer goods was slowing.

Stefan Wagstyl

Shake-up at UK building group

By Motoko Rich in London

Caradon, one of the UK's largest building materials groups, is removing a management layer and mounting a cost-cutting programme to revive its weakened performance.

The group, which was forced to bring forward the publication of interim results in September after a profits warning, is expected to make an excaptional restructuring provision of up to £25m ($39.5m) in its 1995 accounts. The charge will include redundancy costs for "several hundreds" of job losses.

As part of the restructuring, Mr Daniel Cohen, chairman of the European building products division, is leaving the group and the company has hired Russell Reynolds, the head bunter, to find a chief operating officer.

Before taking over tha European post two years ago, Mr Cohen was finance director from 1985. While be was highly praised in the finance job, his time as an operational manager has been difficult.

Regional executive committees in charge of North America and Europe have been dissolved, and the group's seven operating divisions now will report directly to Mr Peter Jansen, chief executive, ratber than througb regional heads.

It is understood that Mr Cohen was on a salary before bonuses of about £255,000-£260,000. The terms of his departure have not been settled.

Mr Tim Walker, chairman of the North American division, is returning to the UK where he will continue to oversee the US security printing business and will take on responsibility for UK commercial relationships.

The search for a chief operating officer is believed to be in the early stages. It is understood the person who fills that job could be the heir to Mr Jansen, who is expected to retire around the turn of the century.

The group's share price has fallen from a 1995 peak of 270p to 180p on Friday, following a disappointing set of results at the half-year stage.

Despite cutting £40m in costs last year, depressed UK and US construction markets have hit profits at the company, which is this year expected to post pre-tax and exceptional profits of about £160m (£201.2m).

Earlier this year brokers were forecasting 1995 profits of up to £220m.

This week: Company news

EURO DISNEY

Happier theme for the French park operator

Analysts are predicting that Euro Disney, operator of the Paris-based theme park, will report modest profits on Wednesday for the first year in its troubled three-year history, writes Andrew Jack.

Estimates vary between about FFr20m and FFr150m ($31m), but most seem confident that the park will return modestly into the black, echoing its first-ever profits of FFr170m for the third quarter reported in July. At the time, Mr Philippe Bourguignon, chairman, hinted that the group was likely to break even for the full year, after months of refusing to make any such positive predictions.

The full-year figures will reflect the full impact of the changes made under a financial restructuring negotiated in summer last year with creditor banks, which cut interest payments, leasing charges and royalties to its parent, the US-based Disney Corporation.

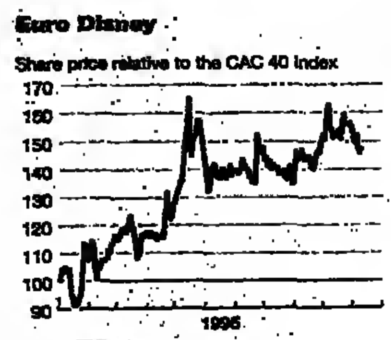
Euro Disney executives claim that last year's drop in attendance – from 9.8m to 8.8m visitors – was the result of rumours about the potential closure of the park. Analysts will be keen to see whether the figure has increased again, after the launch of a new marketing strategy and the opening this summer of the Space Mountain attraction.

They will also study changes in the occupancy of the group's hotels, and how much money visitors are spending in the park on food and merchandising.

Mr David Kleio, leisure analyst with NatWest Sellier in Paris, projects that the park will make profits of FFr50m for 1994-95 on about 9.5m visitors. "If they are still getting people through the doors now with all the problems they have faced, things are looking good."

The real question for Euro Disney is whether it is moving to a sustainable level of profits before interest and other financial charges that were removed during the restructuring begin to kick back in from next year.

Euro Disney



Source: FT Extel

US AIRLINES

Deals and defences at board meetings

Events this week could begin to lift the uncertainty over the future shape of the US airline industry, writes Maggie Urry in New York. Analysts predict the sector is on the brink of a wave of mergers and consolidations. The first sign could come from UAL, parent of United Airlines. Its directors meet today to decida whether to pursne a deal with USAir, the troubled carrier in which British Airways has a near 25 per cent stake. It is now more than a month since USAir revealed it was in talks with UAL and rival AMR, American Airlines' parent, over a possible alliance or merger. UAL promised to announce by mid-November what its plans were.

If USAir does fall, another likely candidate for takeover is Northwest Airlines. Its board also meets this week to discuss its defences, much to the annoyance of its 21.5 per cent shareholder KLM Royal Dutch Airlines. KLM last week sued other Northwest Airlines shareholders over limits put on its voting rights as one of the original investors which backed Northwest's buy-out in 1989.

■ **Honda:** First-half figures from the Japanese carmaker which are due out on Friday are likely to show a firm performance, particularly in the domestic market.

Honda has had enormous success with its Odyssey recreational vehicle and the CR-V. As a result, the company is expected to show higher domestic sales than initially forecast.

■ **Schering:** Germany's pharmaceuticals company announces its nine-month results today against a background of controversy over several of its drugs and the expectation of a decline in profits caused by the D-Mark's strength against the US dollar.

The German federal institute for Drugs and Medicinal Products said it would impose restrictions on the availability of some of Schering's third generation contraceptive drugs because of possible side-effects. The costs of launching Betaseron, its multiple schlerosis drug, are proving higher than expected.

Schering is aiming to maintain sales and profits levels: last year it reported net profits of DM210m ($148m) on a turnover of DM3.52bn.

■ **British Steel:** Sharply increased steel prices and healthy volume growth in Britain and continental Europe should lift the steelmaker's interim profits to between £530m and £550m ($860m), against £415m in the second half and £159m in the first half of last year when it reports today. The dividend is expected to be lifted from 2p to 2.25p, with up to 9.5p (7.5p) pencilled in for the full year.

■ **BOC:** Tomorrow the UK industrial gases group, is expected to unveil a surge in full-year profits to £400m, up from £253m last year, more than doubling earnings per share, to 51.4p (23.8p).

■ **General Accident:** Results on Tuesday from the composite insurer will be affected by Caribbean hurricane losses but a jump in pre-tax profits for the first nine months from £322m to about £370m is expected. GA is relying increasingly on overseas operations, including Canada and the US, to compensate for tougher UK conditions.

Similarly, results on Wednesday from Commercial Union, the largest UK-based composite, will be watched for the performances of its Groupe Victoire operation in France and the strength of North American activities. A rise in pre-tax profits at the nine months stage from £305m to about £370m is forecast.

■ **British Gas:** The company will report its traditional third-quarter loss on Wednesday, with the market expecting a deficit of between £140m and £155m, against last year's £149m. The focus will be on what the company has to say about its take or pay contracts, where it is locked in to buying gas at painfully high prices.

■ **Cable & Wireless:** Interim pre-tax profits at the electronics and telecoms group will be swollen by the sale of a stake in the second German cellular licence which resulted in an exceptional profit of about £195m. As a result pre-tax profit figures will show a jump of about 40 per cent to around £806m. Atteotioo will focus on Hongkong Telecom which is expected to confirm the slowdown in revenue and earnings growth and Mercury Communications in the UK where operating profits are expected to show modest growth.

Companies in this issue

Lloyd Webber targets Express

By Raymond Snoddy

The public declaration by Sir Andrew Lloyd Webber, the composer, that he is interested in putting together a consortium to bid for Express Newspapers should help to flush out whether the titles really are for sale.

Lord Stevens, chairman of United News & Media, has repeatedly said he is not trying to sell the papers, unless he receives the sort of offer that would be impossible to refuse.

In the past, although everyone from Mr Conrad Black, chairman of the Telegraph Group, Mr Tony O'Reilly, head of Independent Newspapers of Ireland, Mr Michael Green, chairman of Carltoo Communications and even Mr Maurice Saatchi has been linked with the Express Group, Lord Stevens insists he has yet to receive a formal offer.

In recent years, Lord Stevens' main aim had been to manage the three national titles - the Daily Express, Sunday Express and Daily Star - profitably, despite declining circulations.

In 1994, Express Newspapers produced £30m in pre-tax profits although that figure is unlikely to be matched this year as the effects of newsprint prica rises and the continuing price war bite aven harder. Some analysts think £20m before exceptionals is more likely this time.

The recent 3p price rise to 35p at the Daily Express will help revenues as long es it does not speed up the rate of circulation decline. In the past 10 years, the Daily Express has lost about 600,000 circulation to drop to less than 1.3m.

Earlier this month, Sir Andrew had lunch with Mr O'Reilly and outlined his ideas. These apparently include the possibility of investing up to £100m of his own money in the venture. Other possible partners such as Mr David Montgomery, chief executive of the Mirror Group, have not been approached.

Sir Andrew has made it clear he would only go ahead if he could attract partners with newspaper experience. His idea is for a rejuvenated middle ground paper without any political slant.

Sir Andrew's intervention, by focusing interest on the future of the Express group, may help to establish what people are prepared to bid for three national newspapers that have seen better days - and whether the price offered is high enough for Lord Stevens.

GA takeover likely to get strong support

By Ralph Atkins, Insurance Correspondent

Plans by General Accident, the Scotland-based composite insurer, to acquire Provident Mutual are expected to be approved this week by policyholders at tha mutual lifa insurer.

An extraordinary meeting in London on Wednesday is expected to produce strong support for the £170m takeover which is widely seen as foreshadowing further consolidation in the UK financial services industry. The deal would more than double funds under management at GA's life operations to £14bn.

Howaver the plan has attracted some criticism – likely to be voiced et Wednesday's meeting – that policyholders are not being rewarded sufficiently for the loss of voting rights and the share GA will take in future profits from Provident Mutual funds.

The £170m paid into the Providant Mutual long term business fund consists of £145m for a 10 per cent interest GA will have in the fund and £25m intended to "sweeten" the deal for Provident Mutual policyholders.

Provident Mutual and General Accident refused to predict the outcome of Wednesdey's vote but Mr Barrie Holder, deputy chief executive at GA said: "We are hoping to have a good vote in favour because we think it is good for policyholders."

The deal requires the support of 75 per cent of those voting. Provident Mutual has 500,000 policyholders, but not all are eligible to vote. The deal also requires high court approval but is expected to be completed early next year.

Provident Mutual warned last month that failure to back its acquisitioo by GA would result in restructuring costs of at least £20m.

Flextech £13m in red for nine months

By Motoko Rich

Flextech, the US-owned media group which launched Playboy TV this month, made pre-tax losses of £13.3m in the nine months to September 30.

The group, which is owned by Tele-Communications International of the US, said it was reporting on a quarterly basis following the Nasdaq listing of its parent company. Since this was the first time the company had reported quarterly results, comparable figures from the previous period were unavailable.

The group also announced several board changes, including the appointment of Mr Adam Singer, executive director, as non-executive deputy chairman.

The losses were struck on turnover of £23.7m. At the operating level, losses from continuing ectivities were £6.9m, and £2.6m from the discontinued IVS Cable Holdings. The group sold IVS for £62.6m to KPN Kabel, a subsidiary of the eponymous postal and telecommunications company in the Netherlands.

Third quarter results were affected by costs associated with the launch of Action Stations, an indoor adventure playground for children, and start-up costs for Playboy TV.

The group said that in the first week of Playboy TV's transmission, the channel, broadcast on both cable and satellite, had attracted more than 17,000 direct to home subscription enquires. The channel has distribution contract commitments from more than one third of the UK cable networks.

Flextech said marketing costs for the quarter were unusually high to cover one-off campaigns to launch its eutumn schedule. It said programming costs also increased in line with its commitment to enhance its rights library.

Sotheby's auction sales rise 20%

By Motoko Rich

A rise in demand for Impressionist and Modern art fuelled a 20 per cent growth in Sotheby's auction sales in the nine months to September 30, while seasonal weakness led to third quarter losses.

Income before tax in the nine month period more than doubled to $8.42m (£5.32m), against $4.13m. In the third quarter, losses before tax were flat at $19.4m ($19.2m).

Profits in the main auction business rose to $7.7m ($3.7m) to the nine month period, and widened to losses of $19.8m ($19.2m) in the third quarter.

The group said the third quarter was historically a period of "minimal sales activity in the art auction market", leading to losses every year during those months.

Sales in the auction division increased by 14 per cent to $168.5m ($147.9m) in the nine month period. Ms Diana Brooks, president and chief executive officer, said sales of Impressionist and Modern art led the growth, but were also helped by a 37 per cent rise to jewellery sales.

Auction sales rose 21 per cent in North America and 20 per cent in Europe.

During the nina month period, the financial services business increased pre-tax profits to $3.59m ($2.95m), and the international real estate division returned to the black with e $24,000 profit ($41,000 loss).

Losses per share were unchanged in the third quarter at 21 cents. In the nine month period, earnings per share increased to 9 cents (4 cents).

Brian Gilbert lines up stock market listing

By Raymond Snoddy

Mr Brian Gilbert, a leading poblisher in the business-to-business magazine sector, is planning to merge two companies he bought from the administrators of the Maxwell Communication Corporation and seek a full Stock Exchange quote.

Waterlow Information Services and Wilmington Publishing will come together under the Wilmington name and the aim is to raise about £12m, by placing between 33 and 34 per cent of the shares with institutions.

Mr Gilbert built up United Trade Press, originally bought from the receiver for £44,000, until it was eventually sold to MCC for nearly £35m in 1987.

Later he became a director of MCC and ran its business magazines and exhibitions business. He resigned from the company in November 1990, a year before the death of Mr Robert Maxwell, the MCC chairman.

Wilmington publishes a number of established business publications such as Architects Standard Catalogue, Modern Power Systems and Soap Perfumery and Cosmetics. The company also publishes a growing number of electronics products such as Music Master/Gramophone CD-Rom and ASC Diskindex.

In the year to the end of February 1995, the Wilmington companies had turnover of £23.2m (£20.8m) with profits before tax and interest of £2.5m (£1.8m). In the six months to the end of August the rising trend continued and the company made pre-interest profits of £1.6m.

Under the flotation plan, which is being sponsored by Marshall Securities, about one third of the shares will be held by five board members and 22 senior managers through the conversion of options into equity.

The final third will be held by the original shareholders, including Schroeder Ventures.

Mr Gilbert, who was previously chairman of both Weterlow and Wilmington, will become chief executive of the merged group. Mr Alan Dickinson joins the board as non-executive chairman and Mr Dennis Rooke as a non-executive director.

Although there are no specific takeover targets in mind it is clear that Mr Gilbert sees the flotation as a way of building up e "warchest" for future acquisitions in the business press area.

Allied Leisure £20m buy

By James Harding

Allied Leisure has rolled to the top of the UK's ten-pin bowling league with the £19.8m acquisition of Granada's 19 bowling centres.

The cash purchase, funded in part by a £15.8m rights issue, gives Allied, formerly a restaurant and night club business, more than 1,000 lanes at its 35 bowling alleys.

Mr Kenneth Scobie, chairman, said prior to the expansion "the company was barely large enough to justify plc status and lacked critical mass". The acquisition provided "an excellent opportunity to expand our business and to pursue our objective of achieving leedership in bowling-based entertainment".

Allied forecast the ecquisition would be earnings enhancing to the year to June 1996. Granede's predominently southern business will complement Allied's largely northern sites.

Granada's bowling business, part of the entertainment group's leisure division, had turnover of £18.1m and operating profits of £2.4m in the 12 months to September 30 1994. Book value was £12.2m.

Allied said 1995 profits were set to be "significantly higher" – expectations are pitched at about £3m – and it calculated book value at £14.9m.

The rights issue is on e e 2-for-3 basis at 34p. The shares closed unchanged at 41p on Friday. Panmure Gordon, the broker, has fully underwritten the issue.

Allied said it would fund the rest of the deal via bank debt.

Roxspur set to make cash call

By Motoko Rich

Roxspur, the specialist engineering group which had its shares suspended last month, is expected to announce a rights issue as early as today

The group's shares were suspended after it said trading conditions at Wills, the fluid handling subsidiary it acquired in April, were "substantially worse than anticipated".

It is expected to make a cash call of about £2.5m to help meet working capital requirements, with the issue likely to be priced at about 3p.

Roxspur paid £25.1m in cash and shares for Wills, and discovered shortly after the acquisition that the business was suffering severe short-term cash flow difficulties.

However, the group's position was improved last week when it announced the sale of Algo, a Wills subsidiary, for £1m to Hunt Valves & Fittings, e private valve company. The buyer also assumed £1.7m of debt.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Central & South West (US)	Seaboard (UK)	Electricity distribution	£1.6bn	Seventh Rec bid
Texas Utilities (US)	Eastern Energy (Australia)	Electricity distribution	£1bn	Another Victoria sale
National Australia Bank (Australia)	Michigan National (US)	Banking	£969m	Formally completed
Inflo Holdings (US/ Belgium)	Unit of United Biscuits (UK)	Food	£316m	UB exits US
MBO Team (UK)	Unit of ADT (Bermuda)	Vehicle auctions	£211.5m	ADT switching focus..
ADT (Bermuda)	Alert Centre (US)	Security services	£58m	..to electronic security
Antofagasta Holdings (UK)	Banco Crédit Lyonnais Argentina (France/Argentina)	Banking	£47.4m	Luksic furthers financial interests
Sage Group (UK)	Sybel Informatique (France)	Computer services	£16.2m	Third French buy
Tesco (UK)	Savia (Poland)	Retailing	£8m	Extending East Europe presence
Softbank Corp (Japan)	Ziff-Davis Publishing (US)	Publishing	£1.3bn	Forstmann-Little takes profits

SAS continues profits recovery in third quarter

By Christopher Brown-Humes in Stockholm

Scandinavian Airlines System (SAS) continued its earnings recovery in the third quarter, taking pre-tax profits for the first nine months to SKr2.14bn ($322m).

The result, which compares with a SKr1.24bn profit a year ago, showed the success of the group's efforts to drive up yields, by concentrating more on business class passengers, and the impact of a tough cost-cutting programme. But its figures were hit by strikes and foreign exchange losses.

The airline expects full-year profits to reach at least SKr2.5bn - a big advance on last year's SKr1.5bn - which will entrench its recovery from four years of losses from 1990 to 1993.

SAS said nine-month operating revenues rose 7 per cent to SKr26.7bn and operating income after depreciation increased from SKr857m to SKr2.61bn.

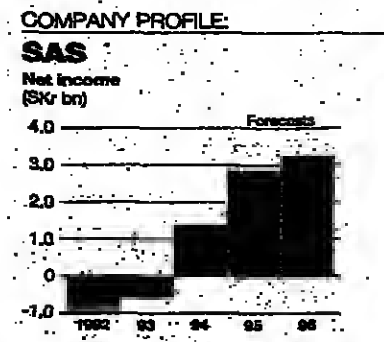
It achieved a 5 per cent rise in aircraft revenues, despite unchanged traffic volumes, by increasing the number of its EuroClass passengers, raising fares in some markets and adjusting routes and frequencies. Operating costs were broadly unchanged, but showed a falling trend in the third quarter.

Strikes cost the group SKr300m in the first nine months. They will also hit the group's final quarter figures after the recent, but now settled, dispute involving Norwegian and Swedish cabin staff.

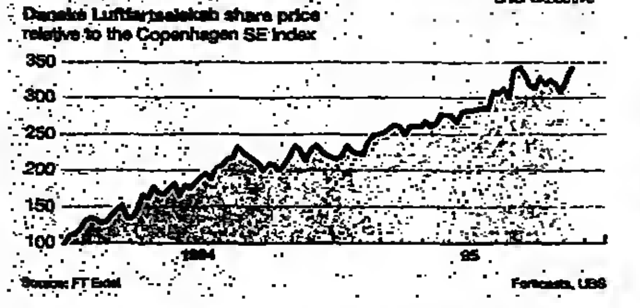
SAS has been badly affected by industrial disputes over the last year, denting its reputation for reliability and infuriating some of its regular customers, who have limited alternatives to SAS within the Nordic region.

COMPANY PROFILE:

SAS



Jan Stenberg
chief executive



Mr Jan Stenberg, SAS chief executive, said regaining customer confidence and minimising the risk of conflicts was a top priority.

SAS, controlled by Danish, Norwegian, and Swedish interests, lifted third-quarter profits from SKr624m to SKr1.1bn.

The strengthening of the Swedish krona during the period produced foreign exchange gains of SKr187m - but currency losses for the first nine months were still SKr251m. Traffic volumes improved in the third quarter, after a 2 per cent drop in the first half.

SAS plans to enter a strategic alliance with Germany's Lufthansa next year.

Sime Darby buys control of UMBC for M$1.3bn

By Kieran Cooke in Kuala Lumpur

Sime Darby, the Malaysian conglomerate which describes itself as south-east Asia's biggest multinational, has completed lengthy negotiations for the purchase of a controlling interest in United Malayan Banking Corporation (UMBC), the country's fourth largest bank in terms of assets.

Sime Darby says it will pay M$1.3bn (US$520m) cash for 60.3 per cent of UMBC's shares. The deal will be financed through a rights issue of 210m new Sime Darby shares and by internally generated funds.

It is buying its stake from Datuk Keramat Holdings (DKH), originally a tin smelting and trading firm which moved into UMBC in 1993.

Sime Darby said the acquisition would enable it to become one of the main players in Malaysia's fast-expanding financial services sector. UMBC is involved in a wide range of financial services, including commercial banking, merchant banking, stockbroking and insurance. The bank has more than 70 branches in Malaysia as well as offices overseas.

Analysts say the UMBC purchase will add financial muscle to Sime Darby's activities. In the past, the conglomerate, whose main activities are trading, manufacturing, plantations and property development, has been accused of being overly conservative and of not using its considerable cash holdings to sufficient effect.

The UMBC deal was first proposed more than six months ago. The price is considered to be low, leading analysts to speculate that Sime Darby has accepted liabilities arising out of share trading losses incurred by UMBC Securities, the bank's stockbroking arm.

Founded in 1960, UMBC has had a chequered history - with ownership changing several times. In a mid-80s recession in Malaysia UMBC ran up heavy loan losses.

It is believed that Bank Negara, the central bank, applied pressure for a change of ownership at UMBC following the discovery last year of questionable loans and other alleged irregularities at the bank.

Among the deals investigated by Bank Negara was an allegation that DKH had indirectly used UMBC funds to purchase a controlling interest in listed George Town Holdings.

Last week a subsidiary of George Town, the Millennium Group, announced it was entering the British film industry with the £200m purchase of the Leavesdome Aerodrome film site in Hertfordshire. Mr Mohamed Noor Yusof, UMBC's chairman and a former political secretary to Dr Mahathir Mohamad, the prime minister, has denied wrongdoing at the bank.

Cost-cutting helps Japan's drug groups

By Emiko Terazono in Tokyo

Japan's leading drug makers reported solid earnings figures for the half year to September.

Cost-cutting over the past few years contributed to favourable profit margins and earnings were also helped by the absence of the Ministry of Health and Welfare's biennial cuts in drug prices which were made the previous year.

The hot summer boosted sales of drinks but sales of antibiotics continued to sag due to concerns over "in-house" infections, where illnesses spread within hospitals due to the over-prescription of antibiotics.

For the second half, many companies are projecting a moderate fall in demand ahead of the government's cut in official drug prices next April.

Japanese drug companies
interim results to September 30 1995

	Sales Ybn	Percentage change	Current profits Ybn	Percentage change
Takeda	295.9	4.4	44.4	9.2
Sankyo	206.5	2.2	44.2	2.6
Yamanouchi	145.2	6.6	30.9	4.8
Eisai	125.8	6.4	19.3	2.5
Taisho	115.9	5.1	33.8	13.2
Shionogi	110.4	-2.5	11.0	-0.1
Fujisawa	108.4	-9.4	10.8	-11.5

Mr Toshihide Yoda of UBS Securities expects profits to be moderately strong, although companies may not book sharp profits growth when hospitals and drug wholesalers are facing losses due to the government's crack-down on prices.

"Companies seem to be booking special losses to keep the profit growth down," said Mr Yoda.

The government is due to unveil measures involving sharp price cuts for drugs with long life-spans, so affecting the profitability of many companies. The measures are expected to take effect in the next business year.

Takeda Chemical recorded firm sales and profits thanks to strong exports of its gastric ulcer drug and brisk sales of vitamin tablets. The company booked a loss of Y1bn ($993m) due to the withdrawal of a joint venture in Thailand.

Sankyo's sales and earnings exceeded initial estimates thanks to cost cuts and sales promotions. The company spent Y7.8bn on plant and equipment during the first half while depreciation expenses totalled Y8.3bn.

Yamanouchi saw firm sales of ulcer drugs but it logged an extraordinary convertible bond loss, amounting to Y18.6bn.

Eisai achieved a 6 per cent rise in drug sales but revenues from allergy treatments were slack.

Fujisawa suffered falls in recurring profits and sales due to the termination of an overseas sales tie-up. The company lost Y10.8bn in sales as a result.

Aegon raises full-year earnings forecast

By Ronald van de Krol in Amsterdam

Aegon, the Dutch insurer, made a small upwards revision in its 1995 profit forecast after reporting a 15 per cent increase in third-quarter net profits. This was an improvement on the 12 per cent growth seen in the first six months of the year.

Net profits rose from Fl 285m ($178m) to Fl 328m, lifting nine-month net profits from Fl 835.6m to Fl 943.3m, slightly above the top end of analysts' expectations, which had ranged from Fl 918m to Fl 940m.

The company reported better performances in local currencies in the US, Europe and the Netherlands, with European results in particular substantially higher.

"This increase is due in substantial part to a better performance of Scottish Equitable, as well as the increase of our participation in the profit stream of this company from 40 per cent to 60 per cent at the end of 1994," it said.

Aegon added that it now expected growth in full-year results to be "somewhat higher" than 12 per cent. Previously, it had forecast an increase of between 7 and 12 per cent.

The third-quarter rise came despite the negative effect of currency translations caused by the guilder's strength and damage suffered on the Dutch half of the Caribbean island of St. Martin by the hurricanes Luis and Marilyn.

The Dutch insurer calculated the cost of the hurricanes to the group to be no more than Fl 6m, thanks to what it described as adequate reinsurance coverage.

It said net profits for the nine-month period would have been "considerably" higher if had not been for the firmness of the guilder.

Turnover in the first three quarters fell by 2.6 per cent from more than Fl 15.9bn to Fl 15.5bn.

The decline reflected both currency factors and the decision taken in October 1994 by Aegon UK, the group's London insurance-market operation, to stop writing new business. If turnover is adjusted for these two influences, the nine-month figure would have been 7.3 per cent higher.

Mid-west electricity utilities to merge

By Tony Jackson in New York

The wave of consolidation in US electrical utilities continued with a $2bn merger between three companies serving the mid-west states of Iowa, Illinois, Minnesota and Wisconsin.

The merged company, comprising IES Industries and Interstate Power Company, both of Iowa, and Wisconsin-based WPL Holdings, will be the 34th largest utility in the US, based on revenues last year of $2.1bn.

The merger, with a combined market capitalisation of around $2bn, is smaller than some others already announced, such as last month's $6.4bn combination of Baltimore Gas and Electric and Potomac Electric. However, it is the first three-way deal in the industry. The companies put estimated cost savings from the merger at $700m over the next 10 years.

The merger is constructed as a tax-free deal for shareholders. Holders of IES and Interstate Power stock will be issued stock in WPL, which will then be re-named Interstate Energy Corporation.

This is not the first merger in the mid-west. Earlier this year, Wisconsin Energy and Northern States Power came together in a merger worth $6bn.

Pressure for consolidation in the industry comes from the threat of deregulation, whereby utilities stand to lose their historic monopolies in the regions in which they operate. Although no state has yet introduced competition, all are now free to do so under Federal legislation passed in 1992.

The appeal of mergers between contiguous utilities lies in cost savings. The Baltimore-Potomac merger is expected to save $1.3bn over 10 years. The $3.2bn merger of two adjacent utilities in Colorado and Texas, announced in August, is expected to save $770m over 10 years.

The chairman of Interstate Energy will be Mr Lee Liu, chairman of IES. Mr Wayne Stoppelmoor, head of Interstate Power, will be vice-chairman.

After two years both men will step down, and the chairman's job will go to Mr Errol Davis, head of WPL. In the meantime Mr Davis will be chief executive officer.

CORRECTION

Hoechst

US investment bank J.P. Morgan advised Hoechst in its acquisition of Marion Merrell Dow, not Lehman Brothers as stated in an article on November 10.

Mack lifts market share

By Haig Simonian, Motor Industry Correspondent

Mack Trucks: gradually returning to profitability

Mack Trucks, the US subsidiary of France's state-controlled Renault group, expects to raise its market share for the third year running, accelerating its gradual return to profitability.

Mack, one of the most famous names in the US truck industry, has improved its market share to 12 per cent in the first half of this year, compared with 11 per cent in the same period in 1994. That is still far below the 20 per cent share it commanded in the last 1970s, but represents a steady improvement over its performance in 1991, when its finances were at their weakest.

Mr Pierre Jocou, Mack's chairman since March, said the company planned to improve operating income by $200m more than forecast in its current five-year plan.

"Our goal over the next several years will be to achieve a 20 per cent return on assets and a 50 per cent increase in business growth, with a corresponding 50 per cent reduction in waste of all kinds," he told a meeting of Mack managers recently.

The company has returned to modest profitability, after five years of losses, on the back of new models and greatly increased productivity.

Mack is now the third-biggest manufacturer of heavy trucks in the US after Freightliner and Navistar, having increased its heavy truck sales by 22 per cent to more than 15,200 units in the first half of this year.

● Dana, the US vehicles components manufacturer, is to buy the Brazilian light axle operations of Rockwell do Brasil, an indirect subsidiary of the Rockwell group.

The deal, for an undisclosed sum, marks Dana's second substantial axle acquisition in a week, and follows its purchase of the European axle group of GKN, the UK auto components and engineering company.

Dana said the latest purchase was a further step in expanding its international activities in big automotive markets.

Mr Southwood Morcott, chairman, said the Brazilian purchase would strengthen Dana's position in automotive components in south America and leave it better placed to meet likely growth across the continent.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 12.11.95: Pool purchase price £/MWh	Final Prices for Trading on 14.10.95: Pool purchase price £/MWh	Final Prices for Trading on 14.10.95: Pool selling price £/MWh
0030	8.86	8.97	8.97
0100	25.71	8.09	8.09
0130	25.71	8.09	8.09
0200	23.71	8.10	8.10
0230	8.93	8.10	8.10
0300	9.02	8.11	8.11
0330	8.97	8.11	8.11
0400	8.98	8.11	8.11
0430	8.09	8.10	8.10
0500	8.09	7.15	7.15
0530	8.11	7.16	7.16
0600	8.11	7.16	7.16
0630	8.11	7.15	7.15
0700	8.11	7.99	7.99
0730	8.12	7.99	7.99
0800	8.12	8.12	8.12
0830	8.12	8.98	10.56
0900	8.91	8.92	10.57
0930	8.96	12.52	14.17
1000	8.95	13.50	15.15
1030	8.59	14.08	15.73
1100	8.89	15.58	17.23
1130	18.73	15.58	17.23
1200	22.45	15.58	17.23
1230	27.22	35.63	21.26
1300	27.22	26.58	28.21
1330	27.22	15.02	18.97
1400	14.17	15.02	16.67
1430	8.99	13.66	15.31
1500	8.91	13.50	16.15
1530	8.99	8.97	8.97
1600	14.17	8.95	8.95
1630	18.75	8.95	8.95
1700	18.33	13.22	14.88
1730	30.73	13.22	14.88
1800	30.73	18.68	15.30
1830	30.73	14.75	16.40
1900	24.49	27.44	29.09
1930	20.16	34.41	36.06
2000	17.67	27.76	29.41
2030	17.51	15.79	17.44
2100	16.60	15.13	16.78
2130	16.85	15.13	16.78
2200	16.85	14.75	16.40
2230	9.99	13.50	15.15
2300	9.99	13.65	15.30
2330	8.97	12.52	14.17
2400	8.91	8.97	8.97

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5:15pm Monday to Friday.
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 13.11.95: Pool purchase price £/MWh	Final Prices for Trading on 15.10.95: Pool purchase price £/MWh	Final Prices for Trading on 15.10.95: Pool selling price £/MWh
0030	8.93	8.12	8.12
0100	8.91	8.11	8.11
0130	8.99	8.10	8.10
0200	8.98	8.12	8.12
0230	8.97	8.12	8.12
0300	8.93	8.12	8.12
0330	8.92	8.12	8.12
0400	8.91	8.12	8.12
0430	8.91	8.12	8.12
0500	8.89	8.11	8.11
0530	8.93	8.09	8.08
0600	8.93	8.10	8.10
0630	8.97	8.11	8.11
0700	8.87	8.15	8.15
0730	21.51	16.33	17.79
0800	21.81	17.41	18.89
0830	36.26	37.62	39.10
0900	36.33	37.64	39.13
0930	36.60	17.44	18.92
1000	36.84	17.46	18.94
1030	36.85	17.46	18.95
1100	36.67	17.46	18.96
1130	47.34	17.47	18.97
1200	47.46	17.48	18.98
1230	47.36	40.77	42.26
1300	36.47	32.85	34.43
1330	36.39	17.38	18.86
1400	36.85	16.77	18.23
1430	36.36	17.12	18.58
1500	36.36	17.12	18.58
1530	10.30	17.12	18.58
1600	11.79	17.13	18.60
1630	46.57	17.15	18.63
1700	128.16	17.19	18.66
1730	155.57	17.19	18.68
1800	133.49	17.23	18.73
1830	85.86	17.89	18.60
1900	58.58	38.77	40.58
1930	44.22	38.75	40.54
2000	42.93	29.57	31.16
2030	21.82	22.25	23.73
2100	22.12	16.76	18.23
2130	21.51	16.75	18.21
2200	21.51	16.32	17.78
2230	21.50	18.86	17.32
2300	13.07	16.76	17.23
2330	9.02	13.51	14.98
2400	8.96	9.02	9.02

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5:15pm Monday to Friday.
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FINANCIAL TIMES MARKETS THIS WEEK

Global Investor / Tony Jackson in New York

Seductive notion or false beacon?

How fast can the American economy grow? For the past two decades, its growth rate has been well below the historic average. Now, according to various critics, America's productive capacity has been transformed. The economy is ready to take off again.

The Federal Reserve stands accused of bottling up this potential for fear of inflation. But inflation, even on overstated official figures, is no longer a threat.

So why does the Fed not raise its growth targets, slash its rates and let the good times roll?

It seems a seductive notion. Whether the financial markets agree is another matter. Most market economists would accept the Fed's implicit judgment that over time, the US economy's natural growth rate is at or just above 2.5 per cent.

Mr Stephen Roach, chief economist at Morgan Stanley, puts it at 3 per cent: but that view, he cautions, is not widely held.

If the authorities were to shift their sights to 3 per cent, he believes, the financial markets would be seriously unnerved.

Since the argument turns on the inflation outlook, the issue is inevitably partisan. Perhaps the simplest position is that of captains of industry: many of them, proud of their new-found flexibility in manufacturing and all too aware of their inability to raise prices, see the Fed's caution as perverse.

At the political level, the issue becomes more delicate. It is now commonly argued - for instance, by the Fed's chairman Mr Alan Greenspan - that the consumer price index overstates the rise in the cost of living by between half and a full percentage point (the present CPI rate being about 2.75 per cent). This is not because the index is faulty: it measures not the cost of living as experienced by the consumer, but the change in prices, which is a different thing.

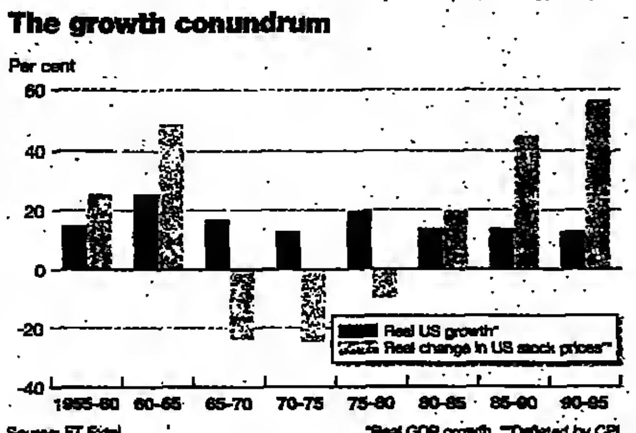
This has serious implications for the budget debate. Some government payments, such as social security and Federal pensions, are linked to the CPI. Cutting the CPI by a percentage point, it appears, would lop nearly $300bn off the budget deficit by 2002, when the budget is supposed to come into balance.

This is not calculated to appeal to the retired or the unemployed. Nor will it appeal to the markets. In both cases, the distinction between the cost of living and the change in prices is academic. What matters is the threat to returns, whether in the form of welfare payments or interest rates.

Granted, there is the promised trade-off of higher economic growth. But from the markets' point of view, this is of doubtful relevance.

The bond market, in particular, is often accused of being hostile to growth. It is not: it merely fears the inflation which for the past 30 years has accompanied it. Growth itself scarcely matters either way.

The growth conundrum



Source: FT Extel *Real GDP growth, **Deflated by CPI

Total return in local currency to 9/11/95

	% change over period					
	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.11	0.01	0.08	0.12	0.20	0.13
Month	0.49	0.04	0.34	0.64	0.87	0.57
Year	6.69	2.75	5.56	6.33	9.88	7.31
Bonds 3-5 year						
Week	0.01	0.45	0.56	0.36	0.29	0.44
Month	1.17	0.55	1.42	2.21	1.27	1.72
Year	13.82	13.82	13.94	12.29	13.90	13.29
Bonds 7-10 year						
Week	-0.18	0.31	0.65	0.73	0.28	0.38
Month	1.41	0.03	2.13	3.47	2.07	2.61
Year	20.57	18.11	15.80	15.73	14.00	14.99
Equities						
Week	0.8	-0.7	0.2	1.0	-2.9	0.5
Month	2.7	-1.9	0.4	2.9	-4.8	0.9
Year	31.1	-5.4	4.0	-0.2	-6.2	18.2

Source: Cash & Bonds - Lehman Brothers. Equities-© NatWest Securities. The FT-Actuaries World Indices are owned by The Financial Times Limited, Goldman Sachs & Co. and Standard & Poor's.

Even for equities, growth is not the beacon it might appear. As the chart suggests, there is a poor correlation historically between economic growth and tha performance of the stock market. Compare, for instance, the two five-year periods 1960-65 and 1990-95. The growth rate in the first period was double that in the second: but in the second, the real value of stocks rose faster.

Inflation is not much of a guide either. Over the decade 1965-75, inflation totalled 70 per cent and stocks lost two fifths of their real value. During the following decade inflation accelerated to 100 per cent, and the real valne of stocks rose a fifth.

The lack of correlation with growth, in particular, is easily explained. What matters for the stock market is not the level of growth, but the proportion of growth which is retained by corporations in the form of profit. The present ratio of profits to GDP, at about 10 per cent, is the highest for over 15 years.

This has largely come at the expense of the workforce. New technology and restructuring, with their associated lay-offs, have favoured the providers of capital more than the providers of labour.

From a corporate viewpoint, as Mr Roach of Morgan Stanley observes, the growth rate in this cycle, while unusually low, has also been uncommonly cost-effective.

Meanwhile, the frustration of politicians is understandable. For two decades growth has stalled, and the average standard of living in the US has if anything declined.

The conclusion is obvious. Get growth going again and tha problems are solved: if the markets do not like it, hard luck.

It will not work that way. In the first place as Mr Robert Rubin, the Treasury secretary, pointed out last week, the cost of money throughout the US economy is in large part determined by the Treasury bond yield. Even if the Fed made an aggressive effort to cut the cost of borrowing, interest rates would be determined by the US government's creditors.

Second, it is not at all clear that the Fed has the power to increase the growth rate. The chief function of monetary policy is to manage the business cycle. This does not mean it can work across cycles.

Mr Wayne Angell, chief economist at Bear Stearns - and a former Fed governor - argues that the first duty of the central banker is that of the doctor under the Hippocratic oath: to do no harm.

Monetary policy can certainly slow growth down, as it did by promoting stagflation in the 1970s. When it comes to promoting growth, its chief task is to avoid recessions.

This in turn means not overstimulating the economy. Growth, Mr Angell says, does not cause inflation: monetary stimulus does. Stepping on the accelerator now means slamming the brakes on later.

In the long run, the advocates of growth may be on to something. In practical terms, as dictated by the markets, they will have to wait their turn.

COMMODITIES Kenneth Gooding

Platinum under scrutiny

A warning that platinum's prospects were being damped by the rapidly increasing use of palladium in catalysts used to clean car exhaust emissions was delivered by Mr Michael McMahon, chairman of Impala Platinum, the world's second largest producer.

We will have a much clearer idea to what extent palladium has been benefiting at platinum's expense when Johnson Matthey, the world's biggest platinum marketing group, pnblishes its interim review of the 1995 market on Tuesday.

South Africa is the biggest platinum producer and Russia dominates the palladium market but recently has been digging deep into its stocks to keep the market adequately supplied.

Analysts suggest Russia remain concerned in case the palladium price rises too far and consumers will be encouraged to find and use substitutes.

According to JM, demand for platinum reached a record 4.5m troy ounces last year and its previous report, six months ago, hinted that even more of the metal would ba sold in 1995. Palladium demand also broke records in 1994 at 4.85m ounces.

● On Wednesday the World Gold Council, a promotional organisation financed by some prodncers, will present its review of trends in the physical gold market in the third quarter. Analysts suggest demand has been strong, particularly in Asia and the Middle East, but it remains extremely price sensitive and buying dries up as soon as the gold price rises by a few dollars an ounce.

● Meanwhile, business in minor industrial metals has been slow because many market participants were last week at a ferro-alloys conference in Tuscon, Arizona, and this week are moving on to another at Monte Carlo, this time organised by Metal Bulletin.

Also this week, in Libreville, Gabon, the InterAfrican Coffee Organisation is to hold a meeting that starts tomorrow and continues until Saturday.

Economic Eye / Martin Wolf

China's socialist market economy

China's economy ahould have grown still faster than it has. Since it has apparently expanded at an annnal average rate of 9 per cent since 1978, this statement must appear laughable. But even China's growth has been held back by the waste of resources in its state-owned enterprises (SOEs), which contiune to absorb some three fifths of fixed investment.

Between 1982 and 1992, the share of the state sector in industrial investment fell modestly, from 86.5 to 74.3 per cent, while its share in output fell sharply, from 74.4 to 48.1 per cent (and then 43.1 per cent in 1993). Despite their disproportionate access to funds for investment, the increase in the real output of SOEs was only a fifth of the total industrial expansion between 1989 and 1993, when the compound annual growth in SOE output was 7.4 per cent, against 31 per cent in non-SOEs.

The World Bank estimates that, between 1985 and 1992, non-SOEs required, on average, less than a third as much investment as SOEs to achieve equivalent industrial ootput. This discrepancy does not solely reflect concentration by SOEs in capital-intensive industries. SOEs had higher ratios of fixed assets to net output in all but two of 40 industrial sub-sectors.

How can a country in which the relics of socialism continue to be so wasteful have performed so well? At least five answers can be offered:

● the officially estimated investment rate has varied been 38 and just above 40 per cent of GDP in the 1990s, enough to finance vast investments within SOEs and leave plenty over for non-SOEs;

● China has unlimited supplies of cheap labour;

● China can also exploit the gap between its own low productivity and higher productivity elsewhere;

● even SOEs are being disciplined by market competition;

● and non-SOEs have been incredibly dynamic.

In just four years, between 1989 and 1993, the industrial output of non-SOEs rose by 193 per cent, a performance that can have no historical parallel. But it creates another puzzle. Why were non-SOEs so dynamic when the majority were collectively owned or run by townships and villages? In China, it appears, it does not matter whether an enterprise is publicly owned, but which level of government controls it. The share of township and village enterprises (TVEs) in industrial output, in particular, rose from 13 per cent in 1989, to 24 per cent in tha first nine months of 1995. These TVEs are like bumble bees: they fly, but how?

An illuminating paper by William Byrd and Alan Gelb compares China's townships and villages to micro-states under free trade.* Goods flow freely across their borders, but not labour and capital. They have almost no discretionary power to tax and are constrained in their borrowing. Some 70m rural people, a sixth of the labour force, now seek work elsewhere, but as temporary migrants, not permanent emigrants. Hitherto, village populations have been immobile in the longer term.

TVEs operate under competitive pressure and the hardest of bndget constraints. Not only are local communities unable to afford subsidies, but as much as 90-95 per cent of their revenues – as well as the privileges and pay of local officials – come from TVEs. Equally, the ability of individual TVEs to invest depends on their profitability.

Day-to-day direction is typically given to managers, through a "management responsibility contract". But these managers work under the supervision of the TVE's effective owners, the community government, representing the population, which has a big stake in its success. This direct interest of local officials is helpful in a country without secure property rights.

These conditions for the achievements of TVEs hardly appear replicable elsewhere. Where else might it be possible to turn local governments into conglomerate businesses?

For all their successes, TVEs do have drawbacks. One is the clash between the regulatory and entrepreneurial functions of government. It can be no accident that pollution by TVEs has become worrying. Another is the limitations they impose on the transfer of capital and entrepreneurship across jurisdictions. Rich communities power ahead. Backward ones fall ever further behind, a process made worse by the temptation of poorer communities towards fiscal predation upon their already sickly TVEs.

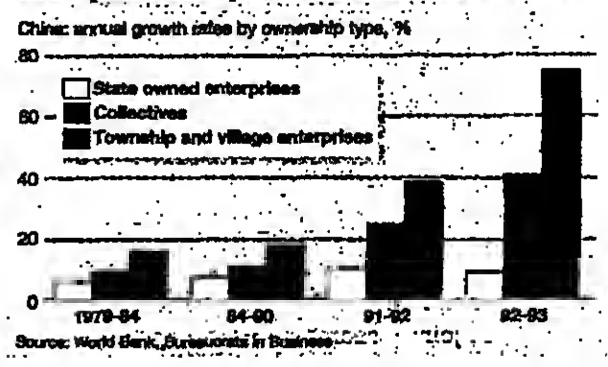
The "shares" in these community conglomerates are implicitly owned by a local population bound together by ties of family and of residence. As people start to move more freely around the country, they will wish to take "their" capital with them. The alignment of interests within the community will then also tend to disappear.

China's uniquely successful social ownership seems to depend on the continued stability of its rural life. But it is hard to believe that even the Chinese state could sustain tight control on movement throughout the rapid development now under way. In the longer run, private ownership would seem unavoidable, with the flexibility it alone can give to the lives of both individuals and enterprises.

China's TVEs are indeed an economic wonder of the world. The country would be much better off if its SOEs operated under the same fierce disciplines. Bnt people should visit the TVEs soon. They seem unlikely to endure forever.

* *William A. Byrd and Alan Gelb, "Why Industrialize? The Incentives for Rural Community Governments", in Byrd and Lin Qinsong, eds, China's Rural Industry (New York: Oxford University Press, for the World Bank, 1990).*

Some public enterprises are better than others



Source: World Bank, Bureaucrats in Business

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY NOVEMBER 10 1995 US Dollar Index	%chg since 30/12/94	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 30/12/94	Gross Div. Yield	THURSDAY NOVEMBER 9 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (82)	182.11	6.1	171.39	115.92	139.71	164.06	11.6	3.96	182.32	171.24	117.08	134.23	164.58	191.01	157.95	169.70
Austria (27)	170.75	-6.6	160.70	108.69	125.37	125.29	-14.9	1.34	171.78	161.33	110.32	128.46	126.37	199.28	167.48	180.79
Belgium (35)	195.36	16.0	183.86	124.36	143.44	139.81	5.8	3.74	185.18	183.29	125.33	143.68	140.20	201.12	164.78	186.01
Brazil (28)	129.82	-20.4	122.18	82.64	95.32	229.72	-9.7	1.83	134.40	126.23	86.31	98.94	237.78	186.35	86.06	188.30
Canada (100)	144.94	12.0	136.41	92.26	106.42	141.86	7.9	2.60	144.79	135.99	92.99	106.80	142.12	150.83	121.81	131.76
Denmark (33)	280.46	11.4	263.97	178.54	205.94	208.99	0.3	1.56	280.98	283.90	180.46	206.86	210.07	295.99	236.61	345.54
Finland (26)	224.74	20.9	211.51	143.06	165.01	200.14	8.2	1.60	226.64	212.88	145.55	166.65	202.38	278.11	171.13	193.09
France (100)	177.49	6.5	167.04	112.98	130.32	135.74	-0.9	3.23	178.35	167.51	114.54	131.30	136.63	161.17	157.79	171.00
Germany (58)	158.64	10.7	149.30	100.98	116.48	116.48	0.9	2.05	159.51	149.82	102.44	117.43	117.43	167.74	135.39	143.44
Hong Kong (55)	361.25	10.8	339.99	229.95	265.25	358.65	10.7	4.06	364.02	341.90	233.79	268.01	361.47	389.39	277.40	381.19
Ireland (16)	249.53	20.9	234.86	158.71	183.07	217.71	15.7	3.46	250.55	235.32	160.91	184.46	218.70	250.55	185.34	205.53
Italy (58)	69.75	-7.4	65.65	44.40	51.22	83.15	-6.8	1.83	70.40	66.13	45.22	51.83	83.86	82.71	65.45	78.53
Japan (483)	143.00	-8.9	134.59	91.03	105.00	91.03	-9.0	0.84	141.97	133.34	81.18	104.52	91.18	164.82	136.95	155.56
Malaysia (108)	433.87	-8.6	408.34	276.13	318.57	423.23	-10.2	1.95	436.42	409.90	280.28	321.30	426.08	561.98	398.16	506.40
Mexico (18)	858.57	-39.4	808.03	546.51	630.39	7242.15	-5.0	1.92	822.40	772.41	528.17	805.46	7283.27	2125.20	647.81	2036.09
Netherland (19)	255.06	17.6	240.05	162.35	187.28	184.13	7.2	3.55	253.63	238.21	162.89	188.73	183.80	263.99	207.80	215.67
New Zealand (14)	81.35	15.5	76.56	51.78	59.73	86.18	13.2	4.38	80.90	75.89	51.96	59.56	65.96	85.49	69.56	76.19
Norway (33)	225.45	5.8	212.18	143.51	165.58	180.90	-2.5	2.19	226.05	212.31	145.17	166.42	191.64	243.79	192.92	196.18
Singapore (44)	364.69	-2.2	343.23	232.14	267.77	237.33	-5.3	1.74	368.81	346.40	238.66	271.53	240.15	414.28	313.94	394.03
South Africa (45)	375.77	11.6	353.66	239.19	275.81	298.53	-0.5	3.91	376.08	352.28	240.89	276.14	298.25	375.77	281.06	335.19
Spain (38)	148.81	12.8	140.06	94.73	109.27	137.40	4.4	4.14	149.37	140.29	95.93	109.97	138.20	160.51	124.10	141.50
Sweden (47)	304.96	32.0	287.03	194.13	223.93	299.99	17.9	2.03	307.02	288.36	167.16	226.04	302.82	320.43	225.80	234.56
Switzerland (41)	225.01	36.2	211.78	143.22	165.21	158.69	18.4	1.67	225.57	211.86	144.87	166.07	159.69	225.67	158.38	165.68
Thailand (46)	149.09	-5.7	140.31	94.90	109.47	145.35	-5.7	2.80	161.53	142.32	67.32	111.56	147.99	184.55	130.15	173.12
United Kingdom (206)	223.83	14.9	210.66	142.48	164.35	210.66	14.1	4.11	225.37	211.67	144.74	165.92	211.67	227.31	187.07	201.40
USA (504)	242.53	29.2	228.26	154.38	178.06	242.53	29.2	2.44	242.83	228.07	155.95	178.77	242.83	242.83	182.33	189.57
Americas (650)	220.82	26.6	207.82	140.56	162.13	185.54	27.2	2.43	221.07	207.63	141.97	162.75	165.83	221.07	170.68	177.65
Europe (737)	194.06	14.9	182.64	123.53	142.49	162.49	7.9	3.12	194.98	183.15	125.22	143.55	183.39	199.02	163.04	172.95
Nordic (138)	277.37	23.6	261.04	176.55	203.65	283.90	11.1	1.88	278.95	261.99	179.15	205.38	235.87	205.02	215.79	225.82
Pacific Basin (832)	152.72	-7.0	143.74	97.21	112.14	100.94	-6.5	1.29	151.67	142.73	87.60	111.88	101.20	171.87	145.93	135.94
Euro-Pacific (1566)	165.65	2.2	155.86	106.12	124.71	124.19	-0.6	2.18	169.80	159.48	109.05	125.01	124.88	178.33	154.73	168.26
North America (604)	236.50	28.4	222.58	150.54	173.65	235.79	28.2	2.44	236.77	222.39	152.06	174.31	236.08	230.77	178.80	186.27
Europe Ex. UK (531)	173.83	14.8	163.60	110.65	127.63	136.28	4.5	2.55	174.44	163.83	112.03	128.42	137.08	179.46	148.45	154.04
Pacific Ex. Japan (349)	246.06	3.3	231.58	156.63	180.67	217.17	4.2	3.39	247.43	232.39	155.90	182.16	218.60	286.72	211.19	256.42
World Ex. US (1760)	170.86	2.1	160.80	108.76	125.45	127.85	-0.5	2.21	170.78	160.41	109.69	125.74	128.34	178.73	155.42	170.20
World Ex. UK (2058)	188.87	11.1	176.69	120.86	139.41	155.93	9.1	2.10	189.78	178.24	121.86	139.71	156.35	191.32	163.46	173.21
World Ex. Japan (1781)	220.64	20.2	207.68	140.45	162.00	205.38	17.6	2.77	221.23	207.79	142.08	162.88	206.06	221.43	178.95	198.22
The World Index (2264)	192.84	11.4	181.48	122.75	141.59	160.79	9.5	2.30	182.88	161.16	123.88	142.00	161.20	194.25	165.82	[illegible]

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 164.07 (Pound Sterling) and 149.94 (Local). Constituent changes during the week ending 10/11/95: Addition: Pharmacia & Upjohn (USA) (Large Index). Deletions: Pharmacia (A & B) (Sweden) and Upjohn (USA). Name change: US West to US West Communications (USA).

هكذا من الأصل

JOINT ANNOUNCEMENT

Impala Platinum Holdings Limited

(Incorporated in the Republic of South Africa)
(Registration number 57/01979/06)
("Implats")

GENCOR

Gencor Limited

(Incorporated in the Republic of South Africa)
(Registration number 01/01232/06)
("Gencor")

Purchase of Western Platinum Limited ("Westplats") and Eastern Platinum Limited ("Eastplats") (collectively "LPD" or "Lonrho Platinum Division")

1. INTRODUCTION

On 20 June 1995 it was announced that agreement in principle had been reached to combine the operations of Implats with the platinum mining interests of Lonrho Plc ("Lonrho"). In that announcement it was stated that "full due diligence investigations will be conducted prior to entering into definitive agreements."

A satisfactory due diligence exercise on each other's operations has now been completed by both parties and purchase agreements were signed on 10 November 1995. In terms of these agreements Lonrho and Maiden Resources Limited ("Maiden") will sell their 72,59% and 0,41% interests in LPD for 29 431 127 Implats shares and 148 428 Implats shares respectively. In addition Lonrho will cede to Implats its claims on loan account against LPD amounting to R262,8 million. The purchase agreements are subject to the fulfilment of the conditions precedent as set out in paragraphs 4.1.5 and 4.2.4 below.

The effective date for the purchases is 1 July 1995.

2. *RATIONALE AND PROSPECTS*

The purchase of the LPD operations by Implats and the subsequent amalgamation of the two operations will result in an organisation:

- that is extremely cost-competitive in the current market environment;
- that is capable of expanding without significant capital expenditure, should market conditions warrant it;
- that has the flexibility to develop different orebodies under different market circumstances;
- that will realise significant synergies through:
  - rationalisation of the smelters;
  - savings in the refining operations; and
  - inter alia, such activities as joint research and development efforts.

The synergies arising from the transaction have been confirmed by an independent technical team.

In summary, the new group will realise significant benefits that will improve its operating flexibility and cost-competitive position and that will enhance the value of the shareholders' interests in the new group.

3. INFORMATION ON LPD

LPD owns and operates three platinum mines (Western Platinum mine and Karee mine, both being divisions of Westplats, and Eastern Platinum mine), a smelter complex and a base metal refinery in the Marikana district of the North-West Province, east of Rustenburg, and a precious metal refinery at Brakpan, Gauteng Province. LPD is the third largest platinum producer in the western world with an output of approximately 560 000 ounces for 1995. It is a low cost producer at approximately R810 per ounce of platinum group metals for 1995.

Whilst the Western Platinum and the Eastern Platinum mines were founded by Lonrho, the Karee mine was acquired from Implats in 1989 in return for shares in LPD. As a result, Implats currently holds 27% of Westplats and Eastplats which will, subsequent to the purchases, result in Implats holding 100% of LPD.

4. DETAILS OF THE VENDORS

The vendors of Lonrho Platinum Division are:

Name	Note	Address	Current shareholding in LPD
Lonrho	1	4 Grosvenor Place London SW1X 7DL	72,59%
Maiden	2	222 Elizabethan Square Block D Grand Gayman Gayman Islands	0,41%

Notes:

(1) Lonrho is a public company listed on both The Johannesburg Stock Exchange ("the JSE") and The International Stock Exchange of the United Kingdom and the Republic of Ireland *Limited* ("the LSE").

(2) The sole shareholder of Maiden is Indian Island Trust.

4.1 The Lonrho purchase

4.1.1 *The Lonrho purchase consideration*

The basis for calculating the total purchase consideration was the relative value of the Implats and the LPD operations to each other.

Based on this calculation Implats will issue 29 431 127 new Implats shares to Lonrho in consideration for the cession of its shareholder's loans of R262,8 million to LPD and for the purchase of its 72,59% interest in LPD. On 8 November 1995, the last practicable date prior to publication of this announcement, Implats shares traded at R77,50 per share, placing a value of R2 280,9 million on the Lonrho purchase consideration. This results in a premium of R576,6 million over the attributable net asset value of LPD at 31 March 1995.

In accordance with the accounting policies of Implats the difference between the purchase consideration and the fair value of the acquired assets will be set off against non-distributable reserves.

4.1.2 *Sale of shares*

Subject to the issue of the new Implats shares to Lonrho, Lonrho has undertaken to sell such number of Implats shares to Gencor that the number of Implats shares owned by Gencor subsequent to this sale will be equal to the number of Implats shares owned by Lonrho.

4.1.3 *Warranties*

As a consequence of the due diligence exercise the parties will not be required to give warranties for this transaction other than that they have made full disclosure of all material information relating to the merger.

4.1.4 *Restraint*

Lonrho has undertaken that it will not, directly or indirectly, be involved in any business primarily concerned with mining, production, processing or sale of platinum group metals, other than through Implats.

4.1.5 *Conditions precedent*

The Lonrho purchase is conditional upon fulfilment of all of the following conditions precedent:

- the approval by shareholders of Implats;
- the approval by shareholders of Lonrho;
- the approval from the European Commission; and
- obtaining a satisfactory legal opinion to the effect that the obligations of Gencor in terms of the put option set out in paragraph 8 below are legally valid and binding obligations and are enforceable.

4.2 The Maiden purchase

4.2.1 *The Maiden purchase consideration*

The basis for calculating the total purchase consideration was the relative value of the Implats and the LPD operations to each other.

Based on this calculation Implats will issue 148 428 new Implats shares to Maiden in consideration for the purchase of its 0,41% interest in LPD. On 8 November 1995, the last practicable date prior to publication of this announcement, Implats shares traded at R77,50 per share, placing a value of R11,5 million on the Maiden purchase consideration. This results in a premium of R3,3 million over the attributable net asset value of LPD at 31 March 1995.

In accordance with the accounting policies of Implats the difference between the purchase consideration and the fair value of the acquired assets will be set off against non-distributable reserves.

4.2.2 *Warranties*

Maiden has warranted in the Maiden purchase agreement that:

- upon delivery of the share certificates representing its interest in LPD, and duly completed transfer forms, ownership of those shares will pass to Implats; and
- all the shares in LPD which it owns are free of any cession, pledge, lien, hypothec, notarial bond or encumbrance and of any other security, interest or right of retention or pre-emption.

4.2.3 *Restraint*

No restraint of trade agreement has been entered into with Maiden.

4.2.4 *Condition precedent*

The Maiden purchase is conditional upon the Lonrho purchase agreement becoming unconditional.

5. FINANCIAL EFFECTS OF THE PURCHASES

The effect of the purchases on the earnings and net asset value per Implats share, without taking into account any synergies arising from the purchases, based on the assumption that the purchases had been effective on 1 July 1994, are as follows:

	Notes	Before	After	% Change
Implats shares in issue (m)		62,2	91,8	47,6
Earnings per Implats share (cents)	1	425	414	(2,6)
Net asset value per Implats share (cents)	2	4 641	4 992	7,6

Notes:

(1) The figures for earnings per Implats share are based on Implats' audited results for the financial year ended 30 June 1995, and LPD's results for the twelve months ended 31 March 1995.

(2) The figures for net asset value per Implats share are based on Implats' net asset value at 30 June 1995 and LPD's net asset value at 31 March 1995.

6. CHANGE OF CONTROL AND RULING OBTAINED FROM THE SECURITIES REGULATION PANEL ("the SRP")

Currently, Implats' controlling shareholder is Gencor. Subsequent to the purchases Implats will be jointly controlled by Gencor and Lonrho through a voting pool arrangement. Gencor and Lonrho will each have a 31,8% interest in the enlarged Implats.

Dispensation has been granted by the SRP to Gencor and Lonrho, as concert parties, from making an offer in accordance with the provisions of the Securities Regulation Code on Takeovers and Mergers ("the code") to the minorities in Implats, on the basis that a special resolution is required to be passed at the general meeting of Implats shareholders to increase its authorised share capital so that the purchases can be implemented. In terms of rule 8.7 of the code a majority of independent shareholders of Implats may, by resolution, waive the minority offer and the SRP has ruled that, by voting in favour of the special resolution required for the increase in authorised share capital, the minority Implats shareholders will be dispensing with the requirement that an offer be extended by the concert parties.

7. NEW IMPLATS SHARES

In order to effect the purchase of the LPD operations Implats will issue 29 579 555 new Implats shares. Such new Implats shares will rank pari passu in all respects with the current listed Implats shares save that the new Implats shares will not rank for any dividend declared by the company for the year ended 30 June 1995. The new Implats shares will not be available to the public. Share certificates for the new Implats shares, which will be in registered form, will be issued seven business days after the fulfilment of the conditions precedent.

Application has been made to the Committee of the JSE for the listing of the new Implats shares. Application has also been made to the LSE for the new Implats shares to be admitted to the Official List of the LSE. Such admission will become effective and dealings in the new Implats shares on the JSE and the LSE will commence once all conditions precedent have been fulfilled.

8. PUT OPTION

Over a period of several years, it has become public knowledge that Chief Edward Lebone Molotlegi of the Bafokeng tribe has expressed dissatisfaction over certain mining rights arrangements which Implats has in the Bafokeng areas. Implats has recently sought and obtained reconfirmation from senior counsel that its title will prove secure in the face of potential litigation.

On the strength of this legal opinion the Gencor board has agreed to grant to Lonrho the right to put its interest in the merged Implats to Gencor, not later than 31 December 2002 (at a price not greater than the equivalent of R74 per share) for either cash or Gencor shares, at Gencor's option, in the unlikely event of Implats losing its right to mine the Bafokeng areas.

9. OPINION OF FIRSTCORP MERCHANT BANK LIMITED ("FIRSTCORP")

FirstCorp is of the opinion that the terms and conditions of the purchase agreements are fair and reasonable to the shareholders of Implats.

10. *SALIENT DATES AND TIMES*

	1995
Circular to shareholders posted on	Monday, 13 November
Last day to lodge forms of proxy (10:00)	Monday, 4 December
General meeting of shareholders (10:00)	Tuesday, 5 December
Results of general meeting published	Wednesday, 6 December

11. DOCUMENTATION

A circular containing full details of the proposed purchases, and incorporating a notice of a general meeting of Implats' shareholders, will, subject to the approval of the JSE and the LSE, be sent to Implats' shareholders on Monday, 13 November 1995.

Johannesburg
10 November 1995

Merchant Bankers

FirstCorp
FirstCorp Merchant Bank Limited
A member of the First National Bank Group

Kleinwort Benson Ltd
(Member of the Dresdner Bank Group)
(Regulated by the Securities and Futures Authority)

Attorneys

EDWARD NATHAN & FRIEDLAND INC

Sponsoring Brokers

In South Africa

FLEMING MARTIN
MARTIN & CO

Frankel Pollak Vinderine Inc.

In the United Kingdom

FLEMINGS
Robert Fleming & Co. Limited
(Regulated by the Securities and Futures Authority and a member of the London Stock Exchange)

EMERGING MARKETS: This Week

The Emerging Investor / **Leslie Crawford in Mexico City**

Volatility of peso pushes foreign fund managers to the sidelines

Investors expect a measure of sanity to return to Mexico's financial markets this week following a surprise central bank intervention last Thursday that arrested the peso's collapse and halted panic selling on the stock exchange.

Trading on the Bolsa, however, is likely to remain lacklustre until the end of the year because of the continoed gloomy outlook for the economy and tha fright investors took at Mexico's second currency crisis within a year.

"Most emerging market funds are likely to remain on the sidelines until the start of 1996," said Ms Karen Miller at Latinvest Securities in New York.

"Some funds have already closed their books for the year, while others have prefered to stay liquid, building casb reservea for January," she said.

Fund managers in Europe said the recent volatility of the peso had made investing in Mexican equities "messy and very risky", particularly in the absence of any signs of an economic recovery.

They believed, however, that some investors might be tempted to hold short-term positions in blue-chip stocks.

In Mexico, most attention is centred on how the currency market will behave in the wake of the Bank of Mexico's intervention last week. Finance ministry officials do not rule out another attack on the peso, but they hope the threat of sporadic central bank action will deter speculators.

The presentation of the 1996 budget to Congress on Tuesday is expected to hold few surprises, as Mr Guillermo Ortiz, the finance minister, made public its broad outlines in October.

The budget is expected to include tax breaks for investment and further cuts in government spending. Mr Ortiz has forecast economic growth at 3 per cent for 1996, although some private sector economists believe even this modest goal will remain in doubt until the exchange rate and interest rates stabilise. Most forecasters expect the economy to contract by between 6 and 7 per cent this year.

The government's decision to use central bank reserves to defend the peso – after it had fallen to an all-time low of 8.30 against the dollar on Thursday and a stiff rise in interest rates had failed to arrest its decline – marked the first departure from an orthodox stabilisation plan which had been followed to the letter since its introduction in March.

The central bank's intervention was greeted with relief, although some bankers and economists were angry that the finance ministry and Bank of Mexico, which bear joint responsibility for exchange rate policy, had not acted sooner to halt the peso's decline.

One senior finance official admitted the delay was due to disagreements between the ministry and the central bank.

"The central bank was reluctant to intervene because of the risks of defending the currency with limited reserves," ha said. "In retrospect, we should have acted sooner."

For the past month, the Mexican economy had been held hostage to the tyranny of the currency market – a small, restricted trading arena which, in times of volatility, can be manipulated with as little as $100m.

Finance ministry officials offer the following explanation for the sudden loss of confidence in the peso: Towards the end of September, brokers and speculators went short in equity and in pesos – selling stocks and currency they did not have in the hope of buying them at a cheaper price at the time of delivery.

The short positions grew to as much as $1bn by the middle of October – an amount equal to about 10 times the average daily trading volume on the Bolsa. It therefore became expedient to manipulate the stock market and the peso to bring about their fall.

While it is trua that unsubstantiated rumours of military coups and ministerial resignations did affect trading, finance officials are more hard-pressed to explain why the markets should have been so impressionable.

Once panic had set in, however, the currency market proved immune to the orthodox medicine applied by the Central Bank: A 10-point rise in interest rates, which brought the annualised return on short-term Treasury bills to above 54 per cent last week, failed to halt the peso's fall.

If anything, the rise in interest rates proved counter-productive.

Foreign investors took the very high yields on T-bills to reflect the risks still inherent in investing in Mexico. Mexicans interpreted the rise as a harbinger of more economic turmoil. Analysts worried that high interest rates would stifle any fledgling economic recovery, while the banking sector cursed a measure that was likely to weaken its portfolio by accelerating the number of loan defaults.

When the peso reached 8 to the dollar, a 25 per cent fall since September, there was a risk that corporations with dollar debts would begin to default on their obligations. It suddenly became clear to the government that the bout of volatility in the financial markets was threatening to derail their economic programme.

Although traders believe the heterodox mix of high interest rates and occasional Bank of Mexico forays into tha currency markets will stabilise the peso, the decision to adopt a "dirty float" is not without its risks.

The Bank of Mexico's ability to defend the peso is constrained by the fact that most of its $14bn of currency reserves – about two months' worth of imports – have been borrowed from the International Monetary Fund and US Treasury on condition that it meet strict quarterly foreign currency reserve targets.

"The markets know that the Mexican economy remains vulnerable and that oor threshold of pain is low," a finance ministry official said.

"It is an environment that is ripe for speculators. The only thing we can do right now is to stick to our economic policies and hope that reason will prevail."

Seoul shudders to virtual standstill

The political scandal involving former President Rob Tae-woo's $650m slush fund has put paid to recent predictions that the Seoul stock market was entering a bullish period after a dull year.

Instead, tha markat has shuddered to a stop. The general share index closed Saturday at 976.30, a modest decline of 2.4 per cent since the slush fund was revealed three weeks ago.

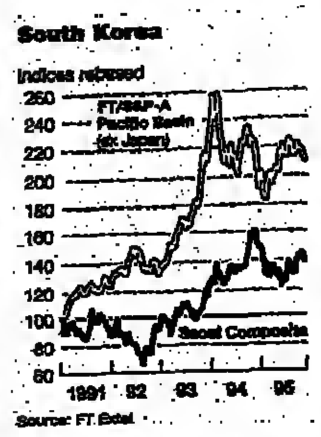
Investor confidence has been dampened as prosecutors question the country's leading businessmen to determine whether they bribed the former president in return for government contracts during his 1988-1993 term.

Trading volume has been light as cautious investors retreated to the sidelines to wait and see whether some owners of Korea's biggest conglomerates will be indicted for bribery.

Investor deposits with securities houses, a key indicator of future market performance, has fallen from this year's average of Won2,700bn to below Won2,400bn last week.

Foreign investors are retreating from the market, with a net outflow of Won71.2bn so far this month, because of worries that the Roh scandal will have an adverse impact on the bourse.

This follows a gradual reduction in the buying of Korean stocks by foreigners since July, when the foreign investment ceiling in listed shares was raised from 12 per cent to 15 per cent. The cooling of overseas interest reflects the unavailability of blue-chip stocks once their foreign investment quota are filled.



The market may take a further slight tumble this week after the chief prosecutor said at the weekend that he had secured evidence that some businesses had bribed Mr Roh, with tha suggestion that at least 10 leading executives could face charges.

"The market sentiment is poor and the worst is not by any means over," said Mr Eugene Yun of Schroders Securities in Seoul. Investor attention will focus on industrial groups closely associated with Mr Roh, including Daewoo, Sunkyong, Dongbang and Hanbo.

Bot the market may recover once the prosecution fully reveals the results of its interrogation of business leaders, which could come as early as the end of the week. This could clear many conglomerates of bribery suspicions and improve investor confidence.

The growing scandal has distracted investor attention from the good fundamentals that led many analysts to predict that the stock market could soon exceed its previous record high of 1,145.01 points set on November 9 1994. The main reason for optimism is the possibility of increased liquidity flowing into the market, an important consideration in Koren's capital-scarce economy.

Heavy industrial investments over the past 18 months have robbed the market of funds. But the period of robust industrial expansion appears to be coming to an end.

One probable means to boost the market would be raising the foreign investment ceiling in listed shares by 2 to 5 percentage points in the hope of attracting liquidity from abroad.

But if the bourse rises unaided, foreign investors who not already in the market will once again have the frustrating experience of being unable to join the bull run due to the ownership limit.

CURRENCY MARKETS

Philip Gawith

Markets focus on US budget

The initial focus of the foreign exchanges this week is likely to revolve around the US budget battle, with the unthinkable prospect of the US government defaulting on its debt if no solution is reached.

Markets have so far been fairly sanguine about prospects of an agreement being reached, but if this proves wrong, and a default ensues, the dollar is sure to be sold beavily as investors indicate their displeasure at this threat to good economic management.

The other important news event with the potential to affect tbe dollar will be the APEC meeting in Osaka, Japan.

Within this gathering, Mr Ryutaro Hashimoto, the Japanese trade minister and Mr Mickey Kantor, his US counterpart, are expected to discuss the vexed issue of whether or not to renew the semiconductor agreement which guarantees market share to foreign imports into the Japanese market.

The US wishes to renew this agreement when it lapses next year, while Japan has said it has no such intention.

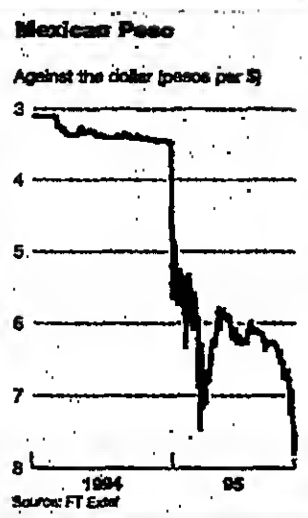
Observers believe that a high profile dispute is unlikely, but any sign of renewed trade tensions will probably unsettle the dollar.

Trade tensions between the two countries was a key factor behind dollar weakness in 1994-95.

Another country in the spotlight will be France, where a fiscal debate will shed light on what balance the government plans to strike between tax increases and spending cuts in attempting to instil greater fiscal discipline.

In the UK, the public sector borrowing figures will be watched with more than usual interest, given the proximity of the budget later this month. This should provide an indication of bow much room the chancellor enjoys for tax cuts.

The trend in the dollar, however, is likely to prove more important for sterling than anything which emerges from the economic data.



Baring Securities emerging markets indices

Index	10/11/95	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (360)	136.87	-2.35	-1.69	-9.11	-6.24	-21.17	-13.39
Latin America							
Argentina (23)	74.82	+0.53	+0.71	-4.69	-5.90	-11.29	-13.11
Brazil (22)	177.41	-1.27	-0.71	-16.05	-8.30	-31.97	-15.27
Chile (15)	178.83	-6.76	-3.64	-5.71	-3.10	-32.73	-15.47
Mexico (24)	61.28	-1.89	-2.99	-8.33	-11.97	-36.35	-37.23
Peru (15)	808.78	-131.77	-14.01	-204.39	-20.17	+39.89	-4.70
Latin America (99)	108.86	-2.52	-2.27	-10.58	-8.87	-30.11	-21.70
Europe							
Greece (20)	98.31	-0.86	-0.86	-4.03	-3.94	+11.32	+13.01
Portugal (23)	116.87	-2.03	-1.71	-0.09	-0.08	+0.59	+0.51
Turkey (21)	96.38	-5.46	-5.36	-5.44	-5.35	+20.27	+26.64
South Africa (33)	148.00	+4.16	+2.89	+7.59	+5.41	+20.05	+15.67
Europe (97)	119.42	+1.82	+1.54	+3.76	+3.25	+21.72	+22.23
Asia							
Indonesia (32)	137.02	-5.00	-3.52	-5.80	-4.06	+3.34	+2.50
Korea (23)	148.68	-3.76	-2.48	-5.32	-3.45	+8.80	+6.29
Malaysia (22)	207.63	-2.05	-0.98	-13.77	-6.22	-3.23	-1.53
Pakistan (16)	72.50	-2.29	-3.06	-11.82	-14.02	-33.70	-31.73
Philippines (15)	237.04	-9.96	-4.03	-25.28	-9.64	-45.09	-15.89
Thailand (26)	233.46	-9.15	-3.77	-24.89	-9.64	-18.18	-7.23
Taiwan (31)	121.21	-3.68	-2.95	-16.20	-11.79	-62.94	-34.18
Asia (163)	192.51	-5.10	-2.58	-16.01	-7.68	-18.11	-8.60

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, November 10, 1995. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	6997.44	4442.00	3145.22	4411.12
Albania	(Lek)	144.770	91.9000	65.0712	91.2812
Algeria	(Dinar)	80.3039	51.0340	36.1354	50.8792
Andorra	(French Fr)	7.6804	4.8756	3.4522	4.8416
	(Sp Peseta)	191.590	121.875	86.2954	121.026
Angola	(Kwanza)	8966.80	5692.00	4030.31	5652.43
[illegible]					
Fr. Cty/Africa	(CFA Fr)	768.040	487.550	345.217	484.161
Fr. Guiana	(Local Fr)	7.6804	4.8756	3.4522	4.8416
Fr. Pacific Is	(CFP Fr)	139.400	88.4908	62.6572	87.8787
Gabon	(CFA Fr)	768.040	487.550	345.217	484.161
Gambia	(Dalasi)	15.4773	9.8250	6.9567	9.7567
Germany	(D-Mark)	2.2246	1.4123	1	1.4025
Ghana	(Cedi)	2150.28	1365.00	966.508	1355.51

		£ STG	US $	D-MARK	YEN (X 100)
Gibraltar	(Gib £)	1	0.6348	0.4495	0.6304
Greece	(Drachma)	368.486	233.916	165.627	232.289
Greenland	(Danish Krone)	8.6383	5.4785	3.8791	5.4404
Grenada	(E Carr $)	4.2555	2.7000	1.9118	2.6812
Guadeloupe	(Local Fr)	7.6804	4.8756	3.4522	4.8416
Guam	(US $)	1.5753	1	0.7081	0.9930
[illegible]					
New Zealand	(NZ $)	2.4130	1.5316	1.0845	1.5210
Nicaragua	(Gold Cordoba)	12.3464	7.8375	5.5496	7.7830
Niger Rep	(CFA Fr)	768.040	487.550	345.217	484.161
Nigeria	(Naira)	34.6586o	22.0000	15.5774	21.8471
	(Naira)	136.815m	86.8500	61.4954	86.2453
Norway	(Nor. Krone)	9.8274	6.2384	4.4172	6.1950
Oman	(Rial Omani)	0.6066	0.3850	0.2726	0.3823

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	53.9002(1)	34.2158	24.2270	33.9780
Panama	(Balboa)	1.5753	1	0.7081	0.9930
Papua New Guinea	(Kina)	2.0728	1.3158	0.9317	1.3067
Paraguay	(Guarani)	3091.52	1962.50	1389.58	1948.86
Peru	(New Sol)	3.6658	2.3270	1.6477	2.3108
Philippines	(Peso)	41.1468	26.1200	[illegible]	25.9384
[illegible]					
Western Samoa	(Tala)	3.9353	2.4981	1.7688	2.4807
Yemen (Rep of)	(Rial)	78.7650o	50.0000	35.4033	49.6534
Yemen (Rep of)	(Rial)	220.542r	140.000	99.1291	139.027
Yugoslavia	(New Dinar)	2.2236	1.4115	0.9994	1.4017
Zaire Rep	(Zaire)	8463.53	5372.65	3804.16	5335.30
Zambia	(Kwacha)	1487.08	944.000	668.413	937.438
Zimbabwe	($)	14.5400	9.2300	6.5354	9.1656

Special Drawing Rights November 9, 1995 Utd Kingdom £0.945644 Utd States $1.49251 Germany DM2.12504 Japan Y152.758 European Currency Unit Rates November 10, 1995 Utd Kingdom £0.842784 Utd States $1.32823 Germany DM1.87479 Japan Y133.288

Abbreviations: (a) Free rate; (m) Market rate; (o) Official rate; (r) Parallel rate; (t) Tourist rate; (u) Currency fixed against the US Dollar; (v) Floating rate; ‡ Russia applies to states in the Rouble Zone. (1) Pakistan Rupee devalued by 7% on 28/10/95. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4365.
To obtain a copy of this table by Fax from the Cityline service dial 0891 437001. Calls charged at 39p/minute cheap rate, 49p/minute at all other times
Friday, November 10, 1995

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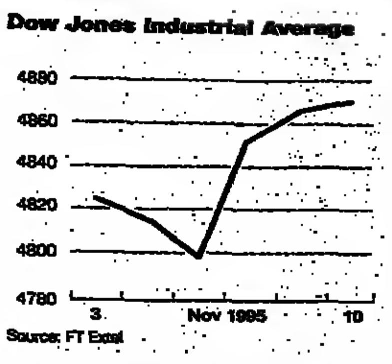
EQUITY MARKETS: This Week

NEW YORK

Lisa Bransten

Fears of debt default likely to dominate



Source: FT Extel

On Wednesday the Federal Reserve's Open Market Committee will meet to consider monetary policy. Opinion is almost unanimous on Wall Street that the Fed will keep monetary policy on hold until Congress passes a budget with credible deficit reductions.

Investors are more likely to focus on whether Congress will lift the debt ceiling and allow the Treasury to raise money to service its debt, a large chunk of which comes due as the FOMC sits down to its meeting.

Early last week, US markets were relatively stable but the possibility of a defaultbrought some jitters on the bond market on Thursday and Friday that could spill into the equity sector if the situation is not resolved.

This week also brings a spate of economic statistics that should help economists formulate opinions about what the FOMC will do in December if there is a budget package.

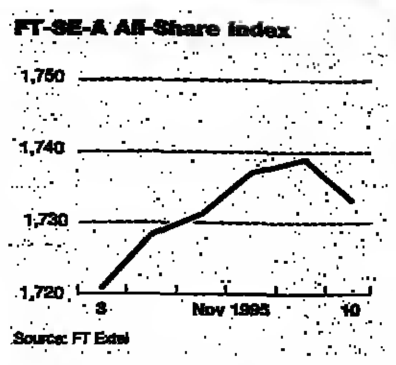
Tomorrow's data on October retail sales should indicate whether consumer spending will to inject life into the economy. Economists are looking for retail sales to remain unchanged after September's 0.1 per cent rise.

In addition to the FOMC meeting, Wednesday brings figures on capacity utilisation, industrial production and consumer prices from October. Economists believe capacity ntilisation will have inched up to 83.5 per cent while industrial production will be off 0.2 per cent. The consumer price index is expected to have risen 0.2 per cent.

LONDON

Philip Coggan

Deadlock between the bulls and bears



Source: FT Extel

A spate of economic statistics this week will give the FT-SE 100 Index a chance to break out of its recent narrow trading range.

Producer and retail prices, average earnings and unemployment numbers will all give clues to the level of UK inflationary pressures. Nevertheless, few people expect any interest rate move from the euthorities before the November 28 Budget.

So unless any of the numbers are startling, Footsie may remain stuck around the 3,500 level.

While takeover speculation has generally been supporting the market, caution about the slowing economy and the prospects for corporate earnings growth have helped to bold shares back. The result has been deadlock between bulls and bears.

At least there will be plenty of corporate news to keep investors interested, with results from a host of leading companies, including BAA, BOC, British Steel, British Gas, Commercial Union, Land Securities, PowerGen and Unigate. There were some noticeable disappointments last week, including flat interim figures from Amersham and a profits warning from Ladbroke.

The wind of change may blow from the US, of course, where the budget battle was starting to cause jitters in the bond markets late last week.

Even a technical US default on bond payments would be bound to upset investors.

OTHER MARKETS

FRANKFURT

Schering, until recently Germany's front-line pharmaceuticals stock, has been upstaged recently by Hoechst and Merck, *writes William Cochrane*. The former has been re-rated following the $7.1bn MMD acquisition in the US; and the latter, since its recent flotation, has offered a bigger and cheaper pure pharmaceuticals investment alternative.

Schering has also been shaken by its susceptibility to currency swings, which left it ex-growth after six months of 1995, by highly publicised UK worries about low dosage contraceptive pills and by the partial restrictions imposed on these drugs last week by Germany's Federal Drugs Institute.

Schering reports third quarter figures today; Mr Mark Tracey at Goldman Sachs expects a 4 per cent net profit decline after a 3½ per cent first-half fall.

Today also sees the setting of the Adidas IPO price; the size of the offer was increased from 22.7m bearer shares to 27.3m on Wednesday.

On Thursday, says Mr Reinhard Fischer at Research Vision, the Bundesbank has the potential to cut key interest rates: economic growth is below expectations and inflation is not a big problem; but whether it will do so is open to question. The central bank cut another 2 basis points off the repo rate last week, leaving it, at 4.00 per cent, 39 basis points down since the last Buba key rate cut on August 25.

MILAN

Italian investors have until Friday to book early for the sale of ENI, the energy giant whose privatisation is Italy's largest ever placement of an unlisted company. The Italian government has earmarked 25-50 per cent of the shares in the L10,000bn ($6.3bn) flotation for the Italian public. The price for the placement will be set next Sunday with the official offer beginning two days later.

The Italian government, anxious to sell the privatisation to local small investors, has offered incentives, including the promise of a special bonus to small investors, if the price falls below the offer price. But indications last week were that potential buyers were treading warily, mindful that shares of the last four major privatisation candidates in Italy quickly fell below the original offer price.

Meanwhile, Olivetti launches its L2,300bn capital increase, announced in September, on Thursday. It will run until December 15.

STOCKHOLM

Nordic sentiment this week will be determined mainly by the reaction to Ericsson's third quarter on Wednesday, says UBS, noting that technology stocks have been boosted recently by a strong US book to bill ratio. Ericsson has insisted that US weakness in mobile handset sales, as experienced by Motorola of the US and Nokia of Finland, will not impact on itself, notes the broker, which is looking for a 35 per cent gain in net profits to SKr1.1bn for the three months.

AMSTERDAM

The Amsterdam stock exchange will get a rest from third-quarter results this week, allowing the bourse to absorb the disappointment which companies ranging from Philips to Akzo have caused so far in the reporting season, *writes Ronald van de Krol*.

A lone exception is Stad Rotterdam, the medium-sized insurer due to publish third-quarter results this morning

Several companies are dne to unveil results next week, including CSM, the food group, and ING, the financial services company. In spite of the sometimes severe negative reactions which have greeted some companies' results, analysts are generally sanguine that the bourse will continue to move sideways for the rest of the year rather than undergo a serious correction.

HONG KONG

Poor sentiment is unlikely to be chased away from the Hong Kong stock market in the early part of this week, *writes Louise Lucas*. Foreign and domestic selling are forecast to continue on disappointing corporate earnings, lowering expectations of a cut in US interest rates and renewed Mexican-inspired jitters in Asian markets broadly perceived to be "emerging markets".

Fund managers and securities houses are largely underweighting Hong Kong, and are even more cautious on H shares, the former China enterprises now listed in the colony. The index tracking the performance of H shares last week fell to an all-time low, and concerns are growing rather than abating.

Many brokers fear the H share companies stand to be hit with bloated tax bills as part of China's move towards a unified tax system to help creata a level playing field with the domestic enterprises. These new concerns come on top of a round of depressed earnings reported by the bulk of the H share companies.

TOKYO

Investor confidence in Nintendo, the video games company, remains weak, *writes Emiko Terazono*. The Nihon Keizai Shimbun reported last week that the launch of its new 64-bit game would be delayed to next year, although the company refused to confirm the news.

"Fundamentally, the company remains strong, but there seem to be some investors who regard the stock as overpriced," says Mr Reinier Dobbelmann, analyst at SBC Warburg in Tokyo. The company does not report interim earnings until November 27, but the stock could see further selling ahead of the announcement.

Compiled by William Cochrane

International offerings

Withdrawal of two deals spells early close to year

Tha withdrawal of two offerings last week, Pinneer Goldfields and Far Eastern Textiles, has raised fears that the primary equity market is closing down earlier than usual this year.

With more than $10bn worth of stock to be priced between now and Novembar 20, the market is starting to look congested, so it is hardly surprising that some of the more marginal deals have fallen by the wayside.

"We are coming to the end of a busy year and although tha major stock markets are heady, investors do not want to take unnecessary risks," said one banker.

The London flotation of Pioneer Goldfields, which owns a gold mine in Ghana, was shelved last week because of poor market conditions and the poor performance of other recent deals. Pioneer Group, a Boston-based fund management company, had expected to raise between $249m and $275m from the sale of about 20 per cent of its gold subsidiary.

Bankers involved in the transaction said there had been demand for the shares, bnt well below the asking price. The vendor is believed to have been willing to drop the price by 10 per cent but decided to pull the deal when it became clear investors wanted an even larger reduction.

The other casualty of the week was Far Eastern Textiles, one of Taiwan's largest textile manufacturers. Although its share price deteriorated during the book-building process, bankers said FET had pressed ahead with the offering of 6m American depositary receipts (ADRs) because it would have been the first US-listed offering by a Taiwanese company.

However, by last week the company decided to postpone the $120m issue, citing its low share price. Even at those levels, the demand was not there, bankers said.

The demise of Pioneer Goldfields and FET has prompted some banks to postpone Asian deals earmarked for launch this year until after the Christmas break. These include offerings for UMC, Yageo, and Evergreen, all Taiwanese companies. It is also believed that a $60m offering for Metro Cash and Carry, a Sonth African company, has been delayed until 1996.

But there is no suggestion that the primary market is about to return to the hostile conditions of the early part of this year. Bankers believe lack of US demand is one of tha main factors behind the decisions to delay deals. Industry data show that US investment funds have been switching 6 to 13 per cent away from their intarnational portfolios in favour of domestic portfolios to increase exposure to the strong domestic stock market.

Bankers were therefore not surprised that US investors were slow to respond to the offering by PT Telkom, Indonesia's telecom company and the government's biggest privatisation to date.

Early last week tha government said the domestic offer of shares had been fully subscribed. Pricing discussions for the international tranche, made np of shares ADRs (each worth 20 ordinary shares), were held over the weekend and the final price should be announced today.

Of the three regional tranches, which each comprised of 23.3m ADRs, demand was said to be strongest in Asia but that Europe and the US were only just covered. In the US tranche, indications that one-third or more of the orders were from retail accounts caused some institutions to back away in the fear that a wave of selling by retail investors would cause the share price to fall.

There was speculation last week that the lukewarm response from US investors could force the government to reduce the size of the international offering. While this is unlikely, the government is expected to price the ADRs at the bottom of the $19.50 to $24.50 price range, thus raising $2.5bn rather than $3.1bn.

There is a view in the market that the PT Telkom deal has been hampered by its size – it is three times bigger than Indonesia's largest previous privatisation – and by the lack of leadership. The government's decision to have eight global co-ordinators has meant no one bank feels particularly responsible for the success of the transaction.

Although the primary market is showing signs of wear and tear, the runaway success of Adidas, the German sports shoe and equipment manufacturer, ahows there is still demand for offerings seen to be reasonably priced.

Although the books had been scheduled to close on Friday, many banks in the syndicate stopped taking orders earlier in the week becausa of tha bealthy over-subscription of close to 10 times.

"We thought we bad better close the books before we got orders from Mr D. Duck and Mrs M. Mouse," said one banker, referring to the speculative money which flows into deals which are set to sparkle in the after-market.

As a result of the strong demand from investors, the size of the offering has been increased to 27.3m shares, representing 60.2 per cent of the share capital, from 22.7m. The increase includes the 15 per cent green-shoe or over-allotment option of 4.1m shares.

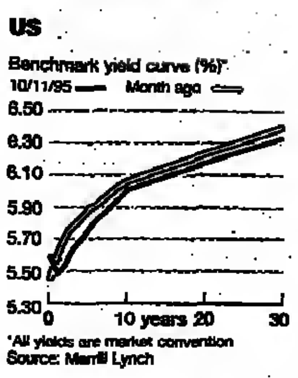
Among other deals in the market, pre-marketing began last week on the $150m offering of shares in Christiania Bank, which is 69 per cent owned by the Norwegian government. The sale should reduce the state's holding to about 50 per cent. Book-building should start today, with pricing scheduled for December 6.

The assassination of Mr Yitzhak Rabin, Israel's prime minister, caused some uncertainty for banks arranging the $150m secondary offering for Koor Industries, Israel's biggest industrial conglomerate. One banker said the news of Mr Rabin's death prompted one fund manager to withdraw his order only to put it back into the book later in the week, following the recovery in the underlying stock market. The deal is expected to be priced tomorrow.

Antonia Sharpe

WORLD BOND MARKETS: This Week

NEW YORK — Tony Jackson



The overshadowing question for the bond market this week is, of course, the threat of default by the US Government. The immediate battle concerns $25bn of interest payments due on Wednesday, without which the US will be technically bust.

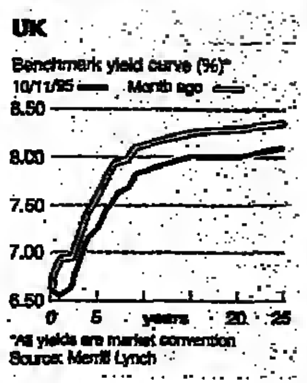
Despite the escalation of rhetoric on both sides, the markets are counting on a compromise: otherwise, the long bond yield would scarcely have closed on Friday below the level of a fortnight before. On the other hand, as market commentators point out, the issue is bound to recur.

The other main event of the week also falls on Wednesday: the Federal Open Market Committee meeting, at which the Fed is on balance expected to leave interest rates unchanged.

The main statistic for the week is Wednesday's figure for the consumer price index. Forecasts for the October figure are around 0.2 per cent month oo month, giving a figure of 2.7 per cent for the first 10 months of the year, in line with the year before. That will be prefaced on Tuesday by the retail sales figure, which is expected by Donaldson, Lufkin & Jenrette to fall by 0.6 per cent, due mainly to a 7 per cent drop in car sales.

Also due this week are figures for industrial production, capacity utilisatioo and inventories for October, expected on Wednesday, and October housing starts on Friday.

LONDON — Richard Lapper



Gilts lost some of their shine on Friday with stronger than expected retail sales figures contributing to a flat day. Even so, over the week as a whole they continned their strong run, which began after the successful Bank of England 20-year auction last month.

The 10-year 8½ per cent gilt due 2005 closed the week yielding 7.86 per cent, a fall of 4 basis points on the week and 14 points over the last month.

This week, attention will focus on producer price figures for October, due to be published today; retail sales, unemployment and earnings figures on Wednesday; and retail price and public sector borrowing requirement details oo Thursday.

If these confirm the picture of a slowing economy and waning inflationary pressure, market sentiment is likely to remain bullish in the run-up to the budget later this month.

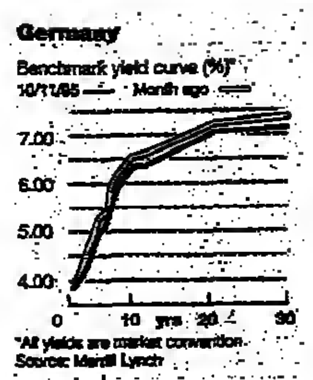
Expectations of interest rate cuts will grow, bringing particular benefit to the short-end of the curve and short sterling should rise.

"The current expectation is for 25 basis points off three-month money by March 1996," said Mr Andrew Roberts, gilts analyst at UBS.

The December short sterling contract closed on Friday at 93.34, down 0.02 on the week.

Analysts also expect index-linked gilts to under-perform conventional stock, because recent supply is still hanging over the market.

FRANKFURT — Conner Middelmann



German government bonds, or bunds, are set to continne outperforming US Treasuries this week on expectations of further short-term interest rate cuts in Germany and fiscal worries over the debt ceiling debate in the US.

Last week, the 10-year bunds yield spread over Treasuries shrank hy 16 basis points to 27 points on Friday.

"We look for this trend to continue this week," said Mr Thomas O'Shea of Yamaichi International, adding that the yield differential could narrow another five to 10 basis points.

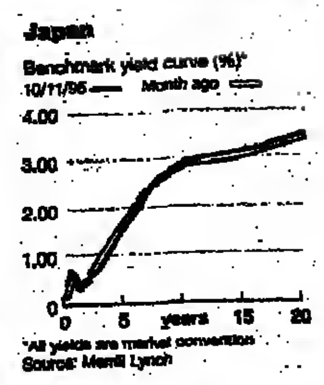
The main focus this week will be on the Bundesbank's next round of securities repurchase agreements. After last week's two basis point drop in the repo rate to 4.00 per cent, a decline below that psychologically important level should spark further yield-curve steepening as "it would keep the whole rate cut story alive," said Mr O'Shea.

However, few observers expect the Bundesbank to cut interest rates at its meeting on Thursday.

Mr Christoph Anhamm of UBS in Frankfurt, expects the yield curve to shift downwards, "and with lengthening trades becoming more frequent, the long-awaited shift in sentiment towards the long end could happen", he predicts.

Next week is also expected to bring bond-friendly producer and wholesale price data, which should confirm a picture of subdued price pressures.

TOKYO — Emiko Terazono



The Ministry of Finance has stepped up efforts to heighten public awareness of the need for fiscal constraint due to revenue shortfalls and increased debt financing.

It is scheduled to make a statement this week on the seriousness of the fiscal situation. It has already announced that it plans to curb spending on education.

Barclays de Zoete Wedd in Tokyo expects tax revenues for the current business year to be around Y50,000bn, which is Y3,500bn less than the MoF'e initial estimate and the fifth consecutive annual decline.

Actual growth in the overall budget is expected to be minimal, with most of the increase reflecting a rise in debt service payments.

The government is likely to issue some Y3,000bn in deficit covering bonds as part of the third supplementary budget. This is expected to push up issuance of new government bonds to around Y28,000bn, boosting the ratio of reveoues from bond issues to the general account to nearly 30 per cent, the highest issue since 1980.

The bond market has seen support from low short-term interest rates and buying from the Bank of Japan but such an environment will eventually weigh on investor confidence.

Bond issues for the second supplementary budget were not fully digested by the market, with the MoF's trust fund bureau buying 41.5 per cent.

Syndicated loans

Deals finely priced despite Japan premium

The syndicated loans market is once again abuzz with talk that interest margins are on the rise, though many say that's wishful thinking.

"There continues to be talk of pricings moving upwards, but evidence points to the opposite," says one banker. "Of course, that could change if the US Government defaults on its debt obligations [this] week. People are completely underestimating the negative effect that could have on all the markets," he warns.

The US Government is close to its official debt ceiling and a temporary resolution, allowing Washington to function in the absence of a budget, expires today, only two days before $25bn of interest payments on government debt fall due. If no solution is found before then, the government might have to default on that payment.

Meanwhile, although the recent increase in Japanese banks' funding costs over those of their non-Japanese competitors – the so-called Japan premium – has affected the speed and ease of execution of some transactions, many say this is unlikely to lead to a widespread increase in interest margins, which have fallen this year to as low as 11¼ basis points over the London Interbank offered rate for UK borrowers and even lower in continental Europe.

"In the last month or two, eome Japanese banks bave been finding it difficult to fund finely-priced transactions and have been going for deals with higher margins," says a banker at a Japanese house. However, he says, most non-Japanese hanks are still "extremely asset-hungry and don't necessarily need Japanese banks to get deals done".

Moreover, several Japanese banks have, in fact, been participating in deals at pricings way below their own funding costs to assert their commitment to the market. That strategy seems to have been partially vindicated by the fact that the "Japan premium" has been narrowing in the last two weeks, dealers said.

Highlighting borrowers' ability to get finely-priced deals away smoothly, the £1.5hn credit facility for Hanson was closed last week after attracting eome £2.1bn in subscriptions from 35 banks, including several Japanese houses.

Hanson is paying a mere 12¾ basis points over Libor, rising to 13.5 points if more than half the facility is drawn. In light of the enthusiastic reception, traders said the deal, arranged by Chemical Bank and NatWest, could be increased.

Elsewhere in the UK, banks have begun arranging the financing for last week's £1.6bn agreed bid for regional electricity company Seeboard hy US utility Central & South West Corp (CSW) and the UK government's £1.8bn sale of British Rail's rolling stock leasing companies – or roscos – to the private sector.

With CS First Boston acting both as M&A and financing adviser to Seehoard-acquirer CSW, a two-part financing, consisting of an $850m US facility and a £1.25bn UK portion is being arranged jointly by Citibank, Credit Suisse and UBS.

The UK facility will be in three parts: a £250m one-year tranche paying between 25 and 75 basis points over Lihor, depending on leverage, an £850m five-year term facility and a £150m five-year revolving credit facility, both priced at between 32.5 and 100 basis points over Libor.

Meanwhile, banks are putting together the financing for the acquisitions of three UK roscos. The purchase of Porterbrook Leasing, bought for £527m by a consortium led by its management, will be funded with an equity investment of £75m from Charterhouse Development Capital and bank facilities totalling £490m, underwritten by Bankers Trust; the consortium is in talks with Bankers Trust to arrange further facilities totalling £100m to buy new trains.

Some £510m of debt for the £580m purchase of Eversholt Leasing by a consortium of investors will be arranged by Deutsche Morgan Grenfell, which is underwriting the deal jointly with Fuji Bank, Société Générale and Royal Bank of Scotland. The £672.5m acquisition for Angel Train Contracts is likely to be financed by Nomura, one of the acquirers.

Elsewhere, Chase and JP Morgan have been putting together a group of co-arrangers for a £1.2bn loan for Hutchison Telecommunications, operator of the Orange cellular phone network.

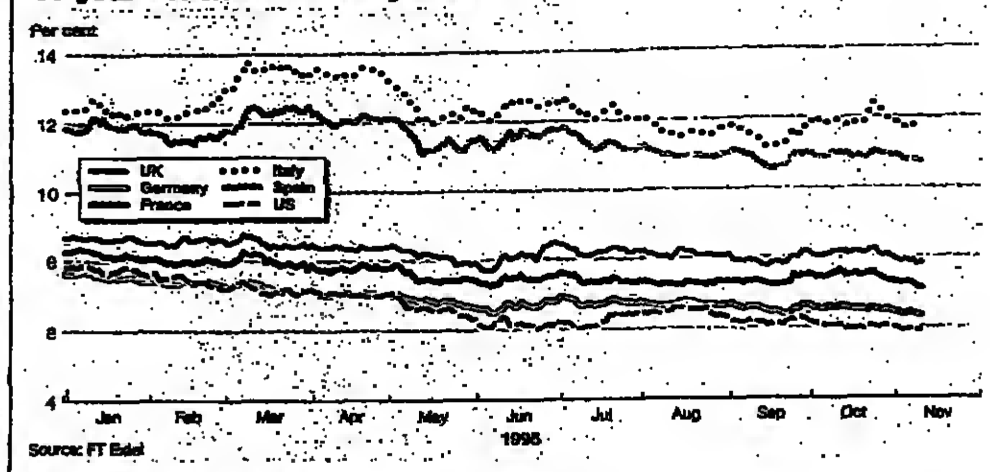
Outside the UK, a $700m seven-year facility for Sadaf, a joint venture between Shell and state-owned Sandi Arabian Basic Industries Corporation, was signed after 1½ years of planning. The delay was caused by the inability of the borrower to raise more than $500m among regional banks, so Chase and Citibank took up the remaining $200m.

To attract other international hanks, the governing law was changed from Saudi to English, hut in the end the facility, which pays 125 basis points over Libor, was comfortably oversubscribed.

Meanwhile, Italy's Mediocredito Lombardo last week mandated the Bank of Tokyo and Société Générale as arrangers for a L250bn term loan facility with a maturity of four years less one day and paying 17.5 basis points above Libor.

Conner Middelmann

10-year benchmark bond yields



Source: FT Extel

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.25	0.50	3.50	5.15[1]	9.00	6.75[2]
Overnight	5.69	0.41	3.94	n.a.	10.31	6.69
Three month	5.56	0.46	3.90	5.95	10.50	6.62
One year	5.47	0.53	3.88	5.78	10.80	6.56
Five year	5.76	1.44	5.12	6.41	11.35	7.28
Ten year	6.00	2.95	6.35	7.13	11.78	7.86

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	117-18	117-03	-0-17	117-21	116-28	412,693	400,991
Mar	117-09	116-24	-0-17	117-09	116-16	17,826	45,211
Jun	116-16	116-08	-0-17	116-09	116-00	1,487	10,590

International bonds

Investors take another look at France

As it has been so often in the last few months, France was last week again at the forefront of attention in the European bond markets, with Tuesday's government reshuffle triggering something of a rally.

And this week bond traders will again be playing close attention to events in Paris, with the new government team set to announce plans to reduce its FFr60bn social security deficit on Wednesday.

The ability of Mr Alain Juppé's team to make progress on this front, in the teeth of trade union opposition – nationwide protest strikes are promised tomorrow – will be an important indicator of its chances of cutting the broader fiscal deficit towards the Maastricht criteria level of 3 per cent by 1997.

Hopes that the oew administration will adopt a firmer fiscal stance, coupled with signs that the Bank of France wants to reduce interest rates, certainly helped the market last week.

Bond prices moved up sharply on Tuesday and Wednesday, with yields on benchmark 10-year paper falling from 7.26 per cent to 7.07 per cent.

By Wednesday evening the 10-year yield spread of French over German bonds had fallen to 70 basis points, their lowest level since early September. The market then eased off – 10-year bonds yielded 7.15 per cent hy Friday evening – partially as a result of developments in the US and the related weakness of the dollar, which led the D-Mark to strengthen against the French franc.

Signs of government firmness next week can only help the market but in the longer term its health will be heavily dependent on the government's ability to prevent economic slowdown turning into recession; reducing tax revenues and aggravating the deficit problem.

Evidence of slower growth has come in sharply lower than expected monthly production and consumer activity data since the summer, a trend likely to be underlined when the same data for October are published later this month.

Mr Dominique Barbet, an economist at Banque Paribas in Paris, says that slowing growth and the risk of recession is the biggest obstacle to deficit reduction.

"The economy is slowing down very fast. There is a lack of confidence in the future on both the corporate and household side," he says.

An easing in monetary policy is seen as vital for renewed growth. Indeed there are some signs that the prospect of rate cuts, underlined by the Bank of France's move to reintroduce its five to 10-day lending window, which had been suspended following currency volatility last month, is helping revive international interest in the shorter-end of the curve, with hedge funds buying two and five-year paper in recent weeks.

The bank'a move to set a new rate of 6.35 per cent compared with the 24-hour rate of 6.80 per cent under which emergency funds had been available followed cuts in the emergency rate itself, and the yield curve is now expected to steepen.

However, more evidence of progress on the fiscal front will be necessary before international investors are attracted back to the French bond market in numbers.

International investors owned 42.9 per cent of outstanding 10-year French government bonds in 1993 and 32 per cent of all government paper in the same year.

Those percentages have declined steadily since then, and now stand at 21 per cent and 20.1 per cent respectively, the lowest levels since 1989.

Despite last week's changes, many observers remain sceptical of the government's capacity to deliver.

Mr David Brown, an economist with Bear Stearns International in London, eays: "French policy is still facing all the same imponderable paradoxes. Chirac's hopes for stronger economic growth, faster job creation, more fiscal austerity, coupled with the 'Franc Fort' is a Gordian knot which not even sharp French rate cuts can slice through."

Richard Lapper

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Fennica No.1, Senior(b)‡	350	Nov.2000	(b1)	100.00R	-	-	Baring Brothers
Fennica No.1, Mezzanine(b)‡	13.7	Nov.2000	(b2)	100.00	-	-	Baring Brothers
NTT	300	Dec.2000	6.00	99.903R	6.023	+22(5¾%-00)	Paribas/ SBC Warburg
AIGMT, 5.95-2, Class A(k1)‡	675	Oct.2000	5.95	99.75R	6.176	+40(5¾%-00)	Merrill Lynch & Co.
AIGMT, 5.95-3, Cl. A(k3)‡	852.5	Oct.2002	(k4)	100.00R	-	-	Merrill Lynch & Co.
Federal Home Loan Mtg.Cp(a)	500	Nov.1998	6.07‡	100.00R	6.070	+47(5¾%-98)	Goldman/ M. Stanley
Korea Development Bank(s)	500	Nov.2002	6.50‡	99.651R	6.563	+75(5¾%-02)	Lehman/ Salomon
Unilever(f)	200	Jan.2001	6.00	100.086R	5.987	+15(5¾%-00)	IBJ Intl./ SBC Warburg
Federal Home Loan Banks(t)	500	Nov.2005	6.53‡	100.00R	6.530	+81(5¾%-05)	Lehman/ Salomon
Sara Lee Corp.	100	Nov.1998	6.00	100.32R	5.881	+22(5¾%-98)	Goldman Sachs Intl.
Svenska Handelsbank.(u)‡	200	Jun.1997	(x)	100.00R	-	-	Serres
D-MARKS							
Deutsche Finance (Curaçao)	500	Nov.2000	5.50	101.78	5.088	-	Deutsche Bank
DSL Finance	200	Dec.2000	5.50	99.744R	5.560	+34(5¾%-00)	UBS (Deutschland)
KfW International Finance(f)	750	Oct.2003	6.25	99.13R	6.391	+16(6¼%-03)	Cmmz/CSFB/Dresdner
Depfa International Finance	200	Nov.2002	6.375	102.47	5.934	-	WestLB
Crédit Local de France	1bn	Dec.2000	5.15	100.50	5.034	-	Nomura Bank Deutsch.
SGZ Bank‡	300	Nov.2005	(n)	99.63	-	-	DG Bank/ Trinkaus
Bayer.Vereinsbank O'seas(o,j)	200	Dec.1998	5.00	100.87R	4.65	+10(6%-98)	Bayerische Vereinsbank
GECC	200	Dec.1998	4.625	99.59R	4.829	+10(5¼%-98)	Goldman Sachs & Co.
Landesbank Rheinland-Pfalz★	100	Dec.2000	5.25‡	100.00	5.250	-	IBJ Deutschland
Helaba Intl.Finance Dublin	1bn	Nov.2001	5.75	99.892R	5.772	+10(6¼%-01)	Bq.Paribas/ M. Stanley
Depfa Bank(v)	150	Dec.2003	(w)	100.00	-	-	WGZ (Dusseldorf)
YEN							
Marubeni Intl.Finance(l)	50bn	Nov.1998	2.00	101.745	0.25	-	Daiwa Europe
Hamburgische Landesbank★	10bn	Jan.2015	(e)	100.50	-	-	UBS
Export Finance★	15bn	Dec.2015	(g)	100.50	-	-	Daiwa Europe
CCCI★	40bn	Dec.2000	2.10	100.00R	2.100	-	Nomura International
Republic of Argentina(s)	40bn	Mar.1999	5.00	100.00R	-	-	Nomura International
Asfinag(f)★	35bn	Nov.2010	3.20	100.00	-	-	Nomura International
SWISS FRANCS							
Canon Sales Co.(a)★◊	450	Nov.1999	0.625	100.00	-	-	SBC Warburg
Crédit Local de France	150	Jan.2002	3.75	102.70	3.247	-	Paribas/ SBC Warburg
Landesbank Rheinland-Pfalz	150	Jan.2001	3.75	103.05	3.082	-	Credit Suisse
Helaba Finance Amsterdam	150	Dec.2000	3.75	103.375	3.013	-	Zurcher Kantonalbank
Bank Austria	130	Jan.2006	4.125	102.65	3.814	-	Banca del Gottardo
STERLING							
MFC, No.8, Tranche A1(b)‡	134.5	Nov.2035	(h1)	99.84R	-	-	Kleinwort Benson
Phoenix Inns(p)‡	240	-	-	-	-	-	Nomura International
Birmingham Midshires BS(j)	75	Jan.2006	8.125	99.769	-	-	J.P. Morgan
GUILDERS							
Rabobank Nederland	350	Dec.2000	5.50	99.60R	5.594	+15(6¼%-00)	Rabobank Nederland
FRENCH FRANCS							
Cetelem FCC-EDS1, Tr.A1(d)	1.2bn	Nov.1999	6.30‡	99.78R	6.363	+28(6½%-99)	Bq.Paribas/ Citibank
Cetelem FCC-EDS1, Tr.A2(d)	1.6bn	Nov.2000	6.50‡	99.85R	5.533	+30(6½%-00)	Bq.Paribas/ Citibank
Cetelem FCC-EDS1, Tr.B(d)	187.5	Nov.2000	6.80‡	99.82R	6.843	+62(6½%-00)	Bq.Paribas/ Citibank
LUXEMBOURG FRANCS							
GenFinance Luxembourg	2bn	Dec.2004	(c)	101.825	6.50	-	BGL
Asfk-Oper Fico	2.5bn	Dec.1999	zero	81.90	5.118	-	Banque UCL
Kredietbank Luxembourg	2bn	Dec.2002	6.50	102.50	6.051	-	Kredietbank Lux.
Oeresundskonsortiet	2bn	Dec.2001	6.125	102.125	5.687	-	BCEE/ BIL
Banque Paribas Luxembourg	2bn	Dec.2005	7.00	100.00	7.000	-	Banque Paribas Lux.
ITALIAN LIRE							
EBRD(i)	150bn	Nov.1997	10.60	100.625	-	-	BNL
ECUS							
European Community(y)	100	Nov.2000	6.00	97.05R	6.717	+29(9½%-00)	Société Générale
AUSTRALIAN DOLLARS							
New Sth.Wales Tsy.Corp★	200	Nov.2000	7.50‡	99.209	7.694	-	Nomura International
Western Australian Tsy.Crp.★	100	Nov.1998	4.50‡	92.8825	7.187	-	Nomura International
CANADIAN DOLLARS							
Ford Credit Canada(l)	100	Dec.2000	7.125	98.50R	7.495	+35(7½%-00)	Toronto-Dominion Bank
Business Dev. Bk of Canada	100	Dec.1997	6.00	99.20R	6.439	-	ScotiaMcleod/W.Gundy
DANISH KRONER							
Kredietbank Intl. Finance	400	Dec.1999	8.875	102.017	6.289	-	Kredietbank
Oeresundskonsortiet	400	Jan.2001	7.00	102.00	6.525	-	Den Danske Bank
ESCUDOS							
European Investment Bank‡	50bn	Dec.1998	(r)	100.12	-	-	BPSM/ BSN Portugal
NEW ZEALAND DOLLARS							
ESRA, Series 12(u,s)★	100	Apr.2002	7.50‡	100.00R	7.00	-	Merrill Lynch Intl

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. $Convertible. ‡Floating-rate note. ◊With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Denom: SFr50,000 +50 wnts. Ex price: Y2,624. FX: 81.45Y/SFr. b) Secured by loans made by the Housing Fund of Finland. Legal maturity: 20/11/25. Callable on coupon dates from Nov 00 at par. b1) 6-mth Libor +23bp to Nov 00 and +100bp thereafter. b2) 6-mth Libor +55bp to Nov 00 and +150bp thereafter. c) 3.87% in A$ or 6.55% in DM or 5.60% in US$ at issuers option. d) 6½% to 15/12/01 and 7½% thereafter. e) Backed by Italian govt bonds (CCTs). f) Fungible with DM1.5bn. Plus 30 days accrued. g) 6.01% in Aus$ or 5.51% in DM or 6.61% in US$ at issuers option. h) Mortgage Funding Corp. Securitised by residential mortgages. Average life: 4.3 yrs. Callable on coupon dates from Nov.99 at par. h1) 3-mth Libor +17½bp to Nov 05 and [illegible] thereafter. h2) Tranches A2 & B total £14m. i) Over interpolated yield. j) Callable on 28/11/96 at par. k) [illegible] Universal Card Master Trust. k1) Legal maturity: 17/10/02. Monthly coupons. k2) Series 1995-2, Class B: $35,625m, 6.10%, 99.7656R, +55. k3) Legal maturity: 17/10/04. k4) 3-mth Libor +10bp. k5) Series 1995-3, Class B: $45m, 3-mth Libor +30bp, 100.00R. l) Long 1st coupon. m) Callable from 20/11/96 at par. n) 3-mth Libor +¼%. o) DM300m launched 9/10/95 increased to DM500m. p) Six tranches, secured by portfolio of public houses. q) 3-mth Libor -15bp. r) Callable on coupon dates from 20/11/96 at par. s) Short 1st coupon. t) Short 1st & last coupons. u) Securitised by credit card receivables originated by Compagnie Bancaire. v) Fungible with Ecu1bn. Plus 24 days accrued. w) Pays 5.125% until Dec.1998 then 8.00% thereafter. Callable at par in Dec.1998. x) Pays 6-mth Libor. Note: Yields are calculated on ISMA basis.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY

AMP (UK) 13% Bd '15 £650.0
Argos 4p
Barclays Bank Jnr Undtd FRN $166.11
British Empire Secs & Gen Tst 0.75p
Coca-Cola Amatil 7.625% Bd '96 $381.25
DRS Data & Research Services 0.75p
DePfa Finance 7⅛% Bd '03 £71.25
Dolphin Packaging 1.9p
First National Bldg Scty 11⅝% Perm Int Bear Shs IR£568.75
Do 11¾% Perm Int Bear Shs £587.50
Housing Finance 8⅝ Db '23 £4.3125
JIB Grp 2.5p
Linton Park 6.25p
MAI 6.7p
Mazda Motor FRN 2000 Y31129.0
Mitsubishi Finance Intl 7¾% Sb Nts '07 $387500.0
S x L Corpn 5.35% Nts '96 Y535000.0
Taisei 4.05% Nts '97 Y405000.0
Do 4.8% Nts '98 Y480000.0
Tottenham Hotspur 3p
Trafford Park Estates 2.3p
Wassall 1.55p
Whatman 4p

■ TOMORROW

Abbey National Tsy Serv 7¼% Nts '96 FFr725.0
Canadian Pizza 2.4p
Culver Hldgs 0.13p
Grampian Hldgs 1.8p
Helical Bar 2.9p
I&S Optimum Inc Tst 2.15p
Italy (Republic of) 9½% Nts '95 $950.0
Japan Development Bank 8⅝% Nts '96 $431.25
Kingsbury 1p
London Secs 3.5p
Marsh & McLennan $0.80
Rubgy Estates 0.725p
Tibbett & Britten 5p
Volvo Grp Finance Sweden 11% Nts '95 SKr1100.0

■ WEDNESDAY NOVEMBER 15

Abbott Labotories $0.21
Abtrust Preferred Inc Inv Tst 3.25p
Aon Corpn $0.34
Arjo Wiggins Appleton 2.9p
BBA Grp 1.8p
Barclays Bank 18% Un Cap In '02/07 £8.0
British Sky Broadcasting 2.5p
Burndene Inv 15% Un Ln '07/12 £7.50
Camellia 17.5p
Chase Manhattan $0.45
Clarke, Nickolls & Coombs 0.12p
Clinton Cards 1.75p
Colgate-Palmolive $0.47
Conversion 9¾% £4.875
Conversion 10% '96 £5.0
Delphi 1.5p
Exchequer 13¼% Loan '96 £6.625
Fairey 2.55p
Fiscal Properties 0.6552p
Foreign & Colonial Smllr Cos 8% (4.2% net) Cm Pf £2.10
GESB 8.35% Secd Bd '18 £41.75
Group Development Cap Tst 0.33p
Hambros Inv Tst 5% (3.5% net) Cm Pf 1.75p
Inter-American Devl Bank 9¾% Ln '15 £4.875
Laporte 8.5p
Lawrie 19p
Mithras Inv Tst 1p
Nationwide Bldg Scty 6⅛% Nts '99 £61.25
Nihon Doro Kodan 9½% Bd 2000 $475.0
Parity 1p
Sanwa Finance Aruba Step-up FRN Nov '04 $1629.17
Scottish Asian Inv £2.0
Sinclair (William) 5.8p
Sonar 1 Cl A Mort Bkd FRN '21 £175.0
Do Cl B Mort Bkd FRN '21 £203.85
Do Cl C Mort Bkd FRN '21 £225.27
Standard Chartered Undtd Prim Cap FRN $325.83
TSB Gilt Fd partg Rd Pf (Cl A) 2.05p
Tenneco 11% Nts '95 $110.0
Treasury 12¾% Loan '95 £8.375
Waterman Partnership 0.5p
Woodchester Inv UNITS IR2.75p
YKK Corpn 3.9% Nts '99 Y390000.0

■ THURSDAY NOVEMBER 16

BT Finance 9⅜% Bd '98 $468.75
Britannia Bldg Scty FRN '96 £177.86
Euro-Vip Secd VRN '30 Ser B $36927.78
Finnish Export Credit 6% Nts '95 $60.0
NKK Corpn 6.1% Bd '99 Y610000.0
NatWest Bank Cap VRN '08 $164.51
Ocean Wilsons 1p
SIG 2.2p
SKOPBANK-Finnish Savings Banks Assoc SerB Undtd SbVRN $174.10
Towry Law 1p
Wyefield 0.5p

■ FRIDAY NOVEMBER 17

Anglovaal R1.06
Do 'N' R1.06
Ash & Lacy 2.6p
Barratt Developments 5p
Bluebird Toys 2.25p
Boot (Henry) 1.95p
Brierley Inv NZ$0.05
Caradon 2.9p
Citicorp $0.30
Commercial Union 10.7p
Dagenham Motors 2.2p
Drive Secs Cl A FRN '96 £184.63
Do Mezz FRN '96 £204.79
Electricite de France 11¾% Serial Ln '09/10/11/12 £293.75
Frogmore Estates 14p
Gent (SR) 1.5p
Gieves 0.75p
Henderson Highland Tst 1.45p
HSBC Hldgs Sb Clrd FRN '08 $30.27
Isotron 3.42p
Jacks (William) 0.75p
Lloyd Thompson 6.25p
MR-Data Management 1.5p
Mayflower Corp 0.87p
Merchants Tst 3p
National & Provincial Building Society FRN '99 £176.18
NatWest Bank Jnr FRN $167.71
Nicherei 5% Bd 2000 Y500000.0
Personal Assets Tst 110p
PizzaExpress 1.6p
Prestwick 7¼% Conv Rd Pf 18.125p
Redrow 2.1p
Royal Bank of Scotland FRN '05 £87.43
Rugby 1.5p
Sekisui House 5.95% Bd '99 Y595000.0
Sharpe & Fisher 1.7p
T & N 3p
Thorpe (FW) 2.75p
Toyobo FRN Feb '98 Y29788.0
Ugland Intl 2.06p
Vardon 0.4p

■ SATURDAY NOVEMBER 18

Treasury 10% '04 £5.0

■ SUNDAY NOVEMBER 19

Exchequer 9% '02 £4.50
Treasury 10½% '89 £5.25

UK COMPANIES

■ TODAY

BOARD MEETINGS: finals:
Carr's Milling Inds
Sidlaw
Utility Cable
Interims:
British Steel
Cranswick
Critchley
Finsbury Tst
London Industrial
Renold
Rexmore
Smith (James) Estates
Trinity Care

■ TOMORROW

COMPANY MEETINGS:
Community Hospitals, The Brewery, Chiswell Street, E.C., 12.00
Frogmore Estates, Durrants Hotel, George Street, W., 11.00
Groupe Chez Gerrard, Scotts Restaurant, 20-22, Mount Street, Mayfair, W., 10.30
Sinclair (William), White Hart Hotel, Bailgate, Lincoln, 11.00
BOARD MEETINGS: finals:
Asset Mngmt Inv
BMG Charles Sidney
BOC Grp
Dickie (James)
Fenner
Foreign & Colonial Emerg Mkts
Wardle Storeys
Interims:
Bank of Ireland
Borthwicks
Carnell
Chamberlin & Hill
Great Portland Estates
Guardian Media
Jarvis Porter
Marshalls
Wyndeham Press

■ WEDNESDAY NOVEMBER 15

COMPANY MEETINGS:
Domestic & General, 18, St Mary-at-Hill, E.C., 11.30
Isotron, The Howard Hotel, Temple Place, W.C., 12.00
Towry Law, Baylis House, Stoke Poges Lane, Slough, Berks, 12.00
Usborne, The Barn, Micheldever Station, Winchester, Hants2.30
BOARD MEETINGS: finals:
Millwall
Northchart Inv
VTR
Interims:
Bradford Property Tst
Dawson Intl
DCC
Essex & Suffolk Water
Flogas
Foreign & Colonial Inv Gwth Inv Tst
Forward
Greenway
Hambros
Jersey Electricity
Land Sec
Lazard Select Inv Tst
Oxford Instruments
Property Partnerships
Unigate
Volex

■ THURSDAY NOVEMBER 16

COMPANY MEETINGS:
Barratt Developments, Plaisterers Hall, 1, London Wall, E.C., 2.30
Beazer Homes, Assembly Rooms, Bath, 2.30
Beckman (A), Durrants Hotel, George Street, W., 12.00
Hollas Group, Belle Epoque Hotel, 60, King Street, Knutsford, Cheshire, 10.00
BOARD MEETINGS: finals:
Capital Radio
Finsbury Gwth Tst
Glasgow Inc Tst
Wigmore Property Inv Tst
Interims:
Adam & Harvey
Break For The Border
Cable & Wireless
City of London PR
Hardy Oil & Gas
Portsmouth & Sunderland
Powergen
Scapa
600 Grp
Tring Intl
Yates Bros Wine Lodges
York Waterworks

■ FRIDAY NOVEMBER 17

COMPANY MEETINGS:
Glaxo Wellcome, Grosvenor House, Park Lane, W., 11.00
Lendu Holdings, 3, Clanricarde Gardens, Tunbridge Wells, Kent, 12.00
Redrow Group, St. David's Park Hotel, Clwyd, 12.00
Renishaw, Gables Inn, Falfield, Gloucs, 12.00
BOARD MEETINGS: Interims:
Black Arrow
Chester Water

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

THE DAVID THOMAS PRIZE

David Thomas was a Financial Times journalist killed on assignment in Kuwait in April 1991. Before joining the FT he had worked for, among others, the Trades Union Congress.

His life was characterised by original and radical thinking coupled with a search for new subjects and orthodoxies to challenge, particularly in the fields of industrial policy, third world development and the environment.

In his memory a prize has been established to provide an annual study/travel grant to enable the recipient to take a career break.

In this, the fifth year of the prize, the Trustees are inviting applicants to write A Letter from a European City focusing on a feature which enriches people's lives and explaining how it might be transferable to other European cities.

The 1996 prize will be worth not less than £3,000.

Applicants, aged over 25, of any nationality, should submit their Letter of up to 800 words in English, together with a brief c.v. and a proposal outlining how the award would be used to explore the theme of the Letter further. Please keep David Thomas's interests in mind when writing both the Letter and the proposal.

The award winner will be required to write a 1500 to 2000 word essay at the end of the study period. The essay will be considered for publication in the FT.

CLOSING DATE JANUARY 5 1996

APPLICATIONS TO:
Robin Pauley, Managing Editor
The Financial Times
Number One Southwark Bridge
London SE1 9HL

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 10 / Sch)

BELGIUM/LUXEMBOURG (Nov 10 / Frs.)

CZECH REP (Nov 10 / Koruna)

DENMARK (Nov 10 / Kr)

FINLAND (Nov 10 / Mks)

FRANCE (Nov 10 / Frs.)

		+/-	High	Low	Yld	P/E
AGF	140.80	+1.30	213.00	118.10	3.0	...
Accor	601	+8	680	521	4.5	...
AirLiq	822	..	536	700	2.8	..
Alctel	430.10	-10.40	536	379.10	6.2	..
AlcCab	307	-4	444.90	245.20	4.9	..
ArjPri	1,752	..	2,101	1,650	2.0	..
Axa	293	-3.40	299	206.30	2.8	...
BIC	450	+2.40	480	325	6.7	...
BNP	221.70	+.70	267	182	2.2	...
BNP	221.70	+.70	267	182	2.2	...
Bncair	515	-35	816	480	3.8	...
BFoure	152.80	-2.40	217	148	...	...
Bongrn	2,598	-2	2,950	2,428	3.5	...
Bygues	537	-3	642	469	3.4	..
CEP Cm	426.10	-3.80	548	420	2.8	..
CGIP	970	+4	1,271	810	5.4	..
Canal+	830	+4	875	573	2.7	....
CapGem	134	-1	183.80	125.50	7.8	....

GERMANY (Nov 10 / Dm.)

GREECE (Nov 10 / Drachma)

ITALY (Nov 10 / Lira)

NETHERLANDS (Nov 10 / Fls.)

NORWAY (Nov 10 / Kroner)

POLAND (Nov 10 / Zloty)

PORTUGAL (Nov 10 / Escudo)

SPAIN (Nov 10 / Pts.)

SWEDEN (Nov 10 / Kronor)

SWITZERLAND (Nov 10 / Frs.)

TURKEY (Nov 10 / Tk Lira)

PACIFIC

JAPAN (Nov 10 / Yen)

AUSTRALIA (Nov 10 / Aust$)

HONG KONG (Nov 10 / H.K.$)

INDONESIA (Nov 10 / Rupiah)

MALAYSIA (Nov 10 / MYR)

NEW ZEALAND (Nov 10 / NZ $)

SINGAPORE (Nov 10 / S$)

SOUTH KOREA (Nov 10 / Won)

		+/-	High	Low	Yld	P/E
HyEngC	30,300	-500	43,000	28,921	0.1	...
KorEP	32,000	-600	33,300	23,200	1.8	...
KFstBk	7,410	+60	10,000	6,850	...	...
KMTele	490,000	-3,000	530,000	345,000	...	...
LG Ele	30,200	-400	33,459	22,200	...	...
PohgSt	63,100	-500	76,000	53,000	1.1	...
SamEle	157,500	-2,000	178,000	77,150	0.2	...
SsngHI	22,700	+200	32,500	19,500	2.2	...
Yukong	28,000	+300	36,383	28,000	2.0	...

TAIWAN (Nov 10 / TW $)

		+/-	High	Low	Yld	P/E
CL Ins	111	-1	199	107	1.4	...
CH Bnk	00	+1	180	84.50	...	...
ChiDev	75	-.50	96.25	68.50	...	...
ChiSd	19.20	-.40	33.80	19.20	7.7	...
FrstBk	88	...	180	84	...	...
NYPstc	38.50	...	58.25	38.50	2.9	...
SHK U	61.50	-.50	99.25	57.80	2.4	...
TalSed	84.50	-.50	125	56.50	...	...

THAILAND (Nov 10 / Baht)

		+/-	High	Low	Yld	P/E
Advinf	396	...	422	284	...	...
BgkBnk	202	...	308	193	...	...
BgkLnd	34	...	82.50	28.50	1.5	...
DhSiam	195	-3	200	75.50	...	...
FinOne	130	...	178	99	2.7	...
KrThBk	82.80	-2.50	111	68.50	...	...
LadHou	382	-14	680	300	1.3	...
PhThan	185	-3	254	138	...	...
SiamCm	1,258	-6	1,788	1,204	...	...
SiamCI	384	-2	448	328	...	...
SiamCB	208	-15	328	181	...	...
TeleAs	80	-1	99	65	...	...
ThaiFm	202	-2	280	173	3.3	...

AFRICA

SOUTH AFRICA (Nov 10 / Rand)

NORTH AMERICA

CANADA

TORONTO (Nov 10 / Can $)

4 pm close

Sales			+/-	High	Low
186583	Abitib	23½	-¼	32⅞	23½
54060	AgnEag	17¼	+½	17¼	15¾
129460	AirCda	495		495	490
143278	AlbtaE	22¼	+½	22½	21⅞
10840	AlbNtG	19½		19½	19⅛
466366	AlcnAl	43¼	+⅛	43⅝	42⅞
112037	AlcoCi	10⅞		33⅝	16¼
143510	Arenor	29¼	-⅛	29⅝	29¼
9100	BCSugA x	8½	-⅛	8⅝	5¼
16906	BC Tel	24⅞	+⅛	24½	24¼
191946	BCE	45⅞		46½	45⅞
3630	BCE Mb	39¼	-⅛	39⅝	39½
30830	BGR A	14	+⅛	14	13¾
1097350	BkMont x	30		30⅝	29⅞
422544	BkNovS	29½	+⅛	29⅝	29⅛
1288760	BrckGd	34¼	+⅛	35⅛	34¼
91841	BramEx	148		150	148

INDICES

	Nov 10	Nov 9	Nov 8	1995 High		1995 Low	
Argentina							
General (29/12/77)	13144.18	13134.41	12817.20	18531.10	2/1	9831.09	9/3
Australia							
All Ordinaries(1/1/80)	2126.2	2131.7	2110.7	2168.80	18/9	1823.30	8/2
All Mining(1/1/80)	982.8	982.5	969.9	1029.50	7/8	796.30	8/2
Austria							
Credit Aktien(30/12/84)	334.85	338.24	338.55	395.42	2/1	328.59	27/10
Traded Index(3/1/91)	911.08	924.56	921.68	1056.31	2/1	882.15	23/10
Belgium							
BEL20 (1/1/91)	1430.38	1434.04	1431.17	1481.39	2/8	1271.63	9/3
Brazil							
Bovespa (29/12/83)	39580.0	41129.0	41171.0	48012.00	19/9	4531.80	8/9
Canada							
Metals Minls♦(1975)	4964.23	4948.93	4978.15	5252.77	21/8	3808.83	1/3
Composite♦ (1975)	4578.80	4582.00	4576.40	4710.30	12/7	3991.41	30/1
Portfolio§§ (4/1/83)	2225.50	2228.73	2231.28	2307.81	12/7	1963.39	30/1
Chile							
IGPA Gen♥(31/12/80)	5554.6	5610.2	5672.1	6369.10	11/7	4576.90	9/3
Denmark							
CopenhagenSE(3/1/83)	356.62	358.11	356.47	375.44	25/8	330.01	28/3
Finland							
HEX General(28/12/90)	1915.42	1930.43	1902.25	2332.22	14/9	1598.30	29/3
France							
SBF 250 (31/12/90)	1218.13	1220.20	1226.70	1322.30	12/5	1154.41	13/3
CAC 40(31/12/87)	1839.82	1852.63	1866.33	2017.27	12/5	1721.14	23/10
Germany							
FAZ Aktien(31/12/58)	781.66	789.61	785.20	848.76	19/9	708.87	30/3
Commerzbank(1/12/53)	2265.6	2289.6	2276.5	2427.80	19/9	2018.70	30/3
DAX (30/12/87)‡	2172.17	2192.82	2172.30	2317.01	15/9	1910.96	28/3
Greece							
Athens SE(31/12/80)	906.36	910.73	910.59	992.59	4/8	787.16	16/3
Hong Kong							
Hang Seng(31/7/64)	9411.85	9497.83	9562.45	10032.93	17/10	6967.93	23/1
India							
BSE Sens.(1979)	3280.06	3316.00	3364.71	3932.09	2/1	3015.07	2/5
Indonesia							
Jakarta Comp.(10/8/82)	474.59	481.41	487.46	519.18	11/8	414.21	19/4
Ireland							
ISEQ Overall(4/1/88)	2155.47	2163.14	2150.51	2170.73	15/9	1813.59	23/1
Italy							
Banca Comm Ital (1972)	568.68	579.06	583.94	680.64	10/2	555.88	23/10
MIB General (2/1/95)	898.0	915.0	923.0	1076.00	10/2	877.80	23/10
Japan							
Nikkei 225 (16/5/49)	17843.58	17821.04	17853.29	19684.04	4/1	14485.41	3/7
Nikkei 300 (1/10/82)	266.94	267.18	267.20	288.16	4/1	222.28	13/6
Topix (4/1/68)	1424.35	1427.37	1427.92	1563.40	4/1	1193.16	13/6
2nd Section (4/1/68)	1905.59	1908.53	1903.96	2190.66	4/1	1441.90	13/6
Malaysia							
KLSE Comp.(4/4/86)	899.47	903.94	913.43	1086.04	5/5	840.67	24/1
Mexico							
IPC (Nov 1978)	(u)	2311.09	2234.47	2622.21	8/9	1447.52	27/2
Netherland							
CBS TtlRtnGen(End 83)	495.0	493.5	491.9	511.80	19/9	422.90	23/3
CBS All Shr (End 83)	289.9	289.0	298.0	311.70	15/9	265.20	23/3
New Zealand							
Cap. 40 (1/7/86)	2169.75	2192.58	2173.05	2206.92	20/10	1901.43	5/1
Norway							
Oslo SE(Ind)(2/1/83)	1217.23	1222.05	1213.66	1292.16	18/10	1036.00	10/3
Philippines							
Manila Comp (2/1/85)	2414.69	2461.75	2484.94	2858.12	12/7	2246.39	27/3
Portugal							
BTA (1977)	2530.7	2547.1	2551.9	2911.50	9/1	2530.78	10/11
Singapore							
SES All-S'pore(2/4/75)	505.43	507.65	510.55	535.06	5/1	472.90	23/1
South Africa							
JSE Gold (28/9/78)	1428.3♥	1337.6	1314.0	2023.80	2/1	1250.20	30/10
JSE Indl. (28/9/78)	7619.7♥	7647.8	7652.7	7678.90	7/11	6222.00	31/1
South Korea							
KoreaCompEx(4/1/80)**	965.95	970.91	980.84	1027.37	2/1	847.09	27/5
Spain							
Madrid SE (30/12/85)	296.84	(c)	298.55	318.98	13/9	203.30	26/6
Sweden							
AffarsvardsGen (1/2/37)	1689.0	1700.2	1701.5	1872.10	19/9	1439.80	28/3
Switzerland							
Swiss Bk Ind (31/12/58)	1433.56	1440.62	1434.25	1440.82	9/11	1174.63	13/3
SBC General (1/4/87)	1077.20	1082.89	1077.70	1082.89	9/11	870.58	13/3
Taiwan							
WeightedPr.(30/6/66)**	4694.96	4717.48	4773.70	7051.49	5/1	4503.37	14/8
Thailand							
Bangkok SET (30/4/75)	1192.47	1211.78	1222.75	1472.04	10/7	1135.68	16/3
Turkey							
Istanbul Cmp.(Jan 1986)	42370.8	42863.1	43000.0	54893.90	21/4	29844.31	23/1
WORLD							
MS Capital Int (1/1/70)$	700.1*	700.9	699.0	703.80	29/9	598.21	23/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1410.17	1421.30	1416.78	1480.68	15/8	1222.41	13/3
Euro Top-100 (26/6/90)	1260.36	1285.74	1283.28	1316.68	15/9	1117.34	9/3
JCapelDrges (31/12/88)	(u)	320.11	322.94	349.47	14/7	282.07	23/1
Barings Emerg.(7/1/92)	136.87	136.69	138.45	158.07	2/1	117.15	10/3

US INDICES

Dow Jones	Nov 10	Nov 9	Nov 8	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4870.37	4864.23	4852.67	4870.37 (10/11)	3832.08 (30/1)	4870.37 (10/11/95)	41.22 (2/7/32)
Home Bonds	103.96	103.91†	103.85	104.04 (16/10)	93.83 (3/1)	108.77 (19/10/93)	54.99 (1/10/81)
Transport	2005.40	2000.13	2008.32	2010.45 (8/11)	1473.19 (3/1)	2010.45 (8/11/95)	12.32 (8/7/32)
Utilities	214.07	215.59	215.99	219.09 (25/10)	183.03 (3/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4898.02 (4902.52) Low 4820.51 (4811.84) (Theoretical♦)
Day's high 4873.82 (4876.87) Low 4840.36 (4841.10) (Actual♦)

Standard and Poors	Nov 10	Nov 9	Nov 8	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	592.72	593.26	591.71	593.26 (9/11)	459.11 (3/1)	593.26 (9/11/95)	4.40 (1/6/32)
Industrials♥	696.66	696.78	694.74	698.78 (9/11)	548.28 (3/1)	698.78 (9/11/95)	3.62 (21/6/32)
Financial	59.94	60.14	59.64	61.38 (18/10)	41.84 (3/1)	61.38 (18/10/95)	8.64 (1/10/74)
NYSE Comp.	315.78	315.97	315.55	315.97 (9/11)	250.73 (3/1)	315.97 (9/11/95)	4.46 (28/4/42)
Amex Mkt Val	531.80	530.81	531.23	553.58 (12/9)	433.12 (6/1)	553.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Cmp	1063.87	1065.59	1047.94	1067.40 (13/9)	743.58 (3/1)	1067.40 (13/9/95)	54.87 (31/10/72)

■ RATIOS

	Nov 3	Oct 27	Oct 20	Year ago
Dow Jones Ind. Div. Yield	2.41	2.46	2.42	2.78
	Nov 8	Nov 1	Oct 25	Year ago
S & P Ind. Div. yield	2.04	2.07	2.08	2.39
S & P Ind. P/E ratio	18.23	17.99	17.95	20.93

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
K-Mart	8,740,400	7⅛	-⅛
Micron	6,087,700	64¾	-⅜
Telefonos	4,050,700	26¾	-⅛
Seagate Tech	3,442,500	51⅛	+3
Conner Per	3,301,300	21⅝	+2¼
US West	2,959,600	29¼	...
Pharm Upjohn	2,723,200	33	...
Ford Motor	2,671,500	28⅞	+⅜
Motorola	2,448,500	67⅛	-⅛
Digital Equip	2,344,600	58⅛	+⅛

■ TRADING ACTIVITY

● Volume (million)

	Nov 10	Nov 9	Nov 8
New York SE	297.953	379.015	364.685
Amex	18.279	17.010	15.008
NASDAQ	(u)	490.593	488.281
NYSE			
Issues Traded	3,049	3,063	3,045
Rises	960	1,169	1,366
Falls	1,232	1,058	893
Unchanged	857	837	786
New Highs	106	137	125
New Lows	40	40	40

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x index)							
Nov	1855.0	1852.0	-15.0	1857.0	1841.0	12,154	28,580
Dec	1865.0	1861.5	-15.5	1866.5	1852.5	387	18,785
■ DAX							
Dec	2182.0	2183.5	-5.5	2186.0	2168.0	16,744	-
Mar	2203.0	2205.0	-15.0	2204.5	2190.0	27	-
■ OMX							
Nov	1337.00	1337.00	-8.75	1339.00	1330.00	2,931	15,355
Dec	1345.50	1346.75	-12.50	1348.00	1345.50	67	330
■ SOFFEX							
Nov	3143.0	3130.5	-14.5	3149.0	3128.0	3,998	14,894
Dec	3142.0	3134.3	-19.0	3142.0	3142.0	882	2,600
■ S&P 500							
Dec	594.70	594.45	-0.25	595.65	591.90	76,502	197,833
Mar	597.20	599.40	-0.25	600.70	597.20	869	13,767
■ Nikkei 225							
Dec	17750.0	17860.0	-50.0	17920.0	17740.0	17,540	152,405
Mar	17910.0	17830.0	-80.0	17910.0	17800.0	302	10,108

Open interest figures for previous day.

** Sat Nov 4 : Taiwan Weighted Price 4814.35; Korea Comp Ex 969.97 . Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals 0 Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Nov 10 - 2174.78 -7.66.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Friday, November 10,1995

	Stocks Traded	Closing Prices	Change on day
Kitagawa Iron Wk	16.7m	880	+51
Ikegai Corp	9.1m	444	+6
Toho Zinc Co	5.1m	640	+14
Nissho Iwai	4.7m	434	+29
Fudo Const	4.6m	1040	+30
Daido Stl Sheet	4.6m	1290	+60
Mitsui Eng & Bldg	4.4m	256	-7
Bunka Shutter	4.3m	797	+30
Takara Shuzo	3.7m	1000	+10
Toshiba Corp	3.4m	740	-18

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $

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CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Nov 10		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.6537	-0.0729	452 - 621									
Belgium	(BFr)	45.7137	-0.2681	847 - 426	15.7398	15.6103	15.6233	2.3	15.5847	2.3	-	-	107.0
Denmark	(DKr)	8.6303	-0.0407	257 - 348	45.8840	45.6000	45.0187	2.5	45.4287	2.5	44.6937	2.2	109.6
Finland	(FM)	6.6845	-0.032	798 - 901	8.6565	8.6025	8.6227	1.1	8.6061	1.1	8.5436	1.0	109.9
France	(FFr)	7.6804	-0.0285	769 - 839	9.7020	9.6390	6.6801	0.3	6.672	0.7	-	-	88.2
Germany	(DM)	2.2248	-0.0105	238 - 258	7.6967	7.6565	7.677	0.5	7.6893	-0.5	7.696	-0.1	110.5
Greece	(Dr)	368.486	+0.206	275 - 696	2.2318	2.2162	2.22	2.6	2.2103	2.3	2.1691	2.5	112.2
Ireland	(I£)	0.9763	-0.0017	754 - 771	368.719	366.677	-	-	-	-	-	-	66.7
Italy	(L)	2514.57	-3.14	275 - 639	0.9788	0.9763	0.9756	1.0	0.9742	0.9	0.9709	0.5	87.2
Luxembourg	(LFr)	45.7137	-0.2681	847 - 426	2520.09	2509.72	2521.82	-3.5	2536.72	-3.5	2604.87	-3.6	89.8
Netherlands	(Fl)	2.4817	-0.012	802 - 831	45.8640	45.6000	45.6187	2.5	45.4287	2.5	44.6937	2.2	109.0
Norway	(NKr)	9.8274	-0.0319	233 - 314	2.4884	2.4830	2.486	2.7	2.4748	2.7	2.4291	2.5	109.7
Portugal	(Es)	234.216	-0.768	077 - 354	9.8704	9.7538	9.815	1.5	9.7932	1.4	9.7177	1.1	98.8
Spain	(Pta)	191.990	-0.792	902 - 078	234.439	232.647	234.736	-2.6	235.878	-3.0	-	-	95.2
Sweden	(SKr)	10.4569	-0.05	583 - 754	192.620	191.490	192.49	-3.1	193.43	-3.0	197.83	-3.8	81.2
Switzerland	(SFr)	1.7919	-0.0106	907 - 931	10.5220	10.4364	10.4691	-0.3	10.4787	-0.3	10.497	-0.3	85.9
UK	(£)	-	-	-	1.7971	1.7858	1.7846	4.8	1.773	4.2	1.72	4.0	116.9
Ecu	-	1.2171	-0.0023	163 - 179	-	-	-	-	-	-	-	-	83.8
SDR†	-	1.05748	-	-	1.2182	1.2103	1.2151	1.0	1.2141	1.0	1.2058	0.9	-
Americas													
Argentina	(Peso)	1.5748	-0.0035	743 - 752	1.5795	1.5726	-	-	-	-	-	-	-
Brazil	(R$)	1.5143	-0.0029	135 - 150	1.5275	1.5123	-	-	-	-	-	-	-
Canada	(C$)	2.1291	-0.0106	282 - 300	2.1385	2.1260	2.1302	-0.6	2.1322	-0.6	2.136	-0.3	84.5
Mexico	(New Peso)	12.1535	-0.6324	952 - 117	12.2258	11.9665	-	-	-	-	-	-	-
USA	($)	1.5753	-0.0032	749 - 757	1.5803	1.5729	1.5741	0.9	1.5721	0.8	1.581	0.9	92.7
Pacific/Middle East/Africa													
Australia	(A$)	2.1339	-0.0086	326 - 351	2.1352	2.1325	2.1352	-0.7	2.1381	-0.8	2.1526	-0.9	94.3
Hong Kong	(HK$)	12.1818	-0.0269	779 - 867	12.2217	12.1640	12.1783	0.3	12.1659	0.5	12.1323	0.4	-
India	(Rs)	54.3873	-0.0789	183 - 582	54.6160	54.3090	-	-	-	-	-	-	-
Israel	(Shk)	4.7496	-0.0015	447 - 545	4.7578	4.7414	-	-	-	-	-	-	-
Japan	(Y)	158.633	-1.743	514 - 752	159.560	157.290	157.773	6.5	155.978	9.7	148.938	8.1	142.3
Malaysia	(M$)	3.9889	-0.0119	861 - 917	4.0025	3.9842	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4130	-0.0108	111 - 149	2.4155	2.4110	2.4189	-3.0	2.4292	-2.5	2.4538	-1.7	100.4
Philippines	(Peso)	41.1468	-0.0758	206 - 730	41.1799	41.1110	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9063	-0.012	065 - 100	5.9268	5.8995	-	-	-	-	-	-	-
Singapore	(S$)	2.2247	-0.0057	233 - 260	2.2293	2.2209	-	-	-	-	-	-	-
South Africa	(R)	5.7258	-0.0187	235 - 280	5.7420	5.7191	-	-	-	-	-	-	-
South Korea	(Won)	1211.46	-3.02	094 - 203	1215.72	1209.87	-	-	-	-	-	-	-
Taiwan	(T$)	42.8253	-0.1281	089 - 417	43.0000	42.7656	-	-	-	-	-	-	-
Thailand	(Bt)	39.5715	-0.1515	457 - 973	39.6900	39.5270	-	-	-	-	-	-	-

† Rates for Nov 9. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

[illegible]

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 10		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£
Belgium	(BFr)	100	19.88	16.80	4.868	2.135	5502	5.452	21.50	512.4	420.0	22.91	3.920	2.185
Denmark	(DKr)	52.87	10	8.899	2.578	1.131	2914	2.888	11.39	271.4	222.5	12.13	2.076	1.159
France	(FFr)	59.52	11.24	10	2.897	1.271	3275	3.245	12.80	304.9	250.0	13.63	2.333	1.302

[illegible]

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

D-MARK FUTURES (IMM) DM 125,000 per DM

[illegible]

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

[illegible]

JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

[illegible]

STERLING FUTURES (IMM) £62,500 per £

[illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

Pound in New York

[illegible]

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Emerging Markets page 45 in today's edition.

FT GOLD MINES INDEX

[illegible]

THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

BANK RETURN

[illegible]

BASE LENDING RATES

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

STOCK INDICES

[illegible]

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

GT Asset Management (Ireland) Ltd

IRELAND (REGULATED)(**)

CFP Interest Rate Arbitrage Fund Plc

ISLE OF MAN (SIB RECOGNISED)

CMI Fund Managers (IoM)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Foreign & Colonial Mngmt - Contd.

LUXEMBOURG (SIB RECOGNISED)

Danske Fund (q)

Mercury Asset Management S.A. - Contd.

LUXEMBOURG (REGULATED)(**)

OFFS
INSU

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Clemento Korea Emerging Growth Fund

Credis Investment Funds

Merrill Lynch Asset Management - Contd.

Monterey Trust SICAV

Morgan Stanley Sicav

Albany International Assurance Ltd

Royal Skandia Life Assurance Ltd (z)

Chescor Indian Investment Company Ltd

The China Fund

The China Invest & Development Fd Ltd

Citibank Global Asset Mgmt (Asia) Ltd

Citizens Investment Trust Mgt Co Ltd

Global Asset Management - Contd.

Magus Asset Management Ltd

Malaysia Capital Fund Ltd

Malaysia Fund (Labuan)

Malaysia Growth Fund

E D & F Man Investment Products

Republic Funds

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BANKS, MERCHANT

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

هكذا من الاصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

	Notes	Price	+/- or ch'nge	Div net	Dividends paid	Mid capital	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices

	Notes	Price	ch'nge	Div net	Dividends paid	Mid capital	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INVESTMENT COMPANIES

	Notes	Price	ch'nge	Div net	Dividends paid	Mid capital	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LEISURE & HOTELS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LEISURE & HOTELS - Cont.

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFE ASSURANCE

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MEDIA

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OIL EXPLORATION & PRODUCTION

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OIL, INTEGRATED

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER FINANCIAL

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER SERVICES & BUSINESSES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PAPER, PACKAGING & PRINTING

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PHARMACEUTICALS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PROPERTY

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PROPERTY - Cont.

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RETAILERS, FOOD

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RETAILERS, GENERAL

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SPIRITS, WINES & CIDERS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SUPPORT SERVICES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SUPPORT SERVICES - Cont.

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TELECOMMUNICATIONS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TEXTILES & APPAREL

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOBACCO

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.9	1717
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	23.10	-

TRANSPORT

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WATER

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AIM

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AIM - Cont.

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

	Notes	Price £	Wk% ch'nge	Div gross	Dividends paid	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

	Notes	Price £	Wk% ch'nge	Div gross	Dividends paid	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£31¼	—	Q478c	◆	Oct Apr	3'93	-
Barlow	♣	728½	5.5	Q58c	2.8	Jan Jul	19.6	-
Gold Flds Prop 0		150xd	—	Q60c	2.1	Feb Sep	1'94	-
MK Props.		08	—	Q67.1c	-	Feb Sep	10'93	-
SASOL	♥	530	-1.8	Q78c	-	Oct	8'93	-
SA Brews		£21¼	2.4	Q208c	2.1	Jun Dec	30.5	-
Standard Bank	□	£25⅛	8.7	Q254c	3.1	Sep Mar	-	-
Tiger Oats		7020	-.5	Q85c	2.0	Jan Aug	19.6	-
Tongaat-Hulett	†h	882	1.1	Q80c	2.4	Jan Jul	19.5	-

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; unless "v" is shown in the Notes field, indicating that the cover is calculated on a "net" basis. *Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.*

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the *Stock Exchange Automated Quotation system (SEAQ)* and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ◆ Figures or report awaited.
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ⚘ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v P/e ratio & net cover calculated under new ACT guidelines. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: **Additions:** German Smlr Cos Wrnts (InTr), Hay & Robertson (Text) and Metrodome Films (AIM). **Deletions:** Doornfontein (Extr Ind) and Pacific Horizon Wrnts (InTr).

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Comprehensive 10-14 page report available on the company, containing key FT stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for £5.45.

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For readers phoning from outside UK, please dial +44 in place of the first 0.

4 pm close November 10

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19	12 1/8	AAR x	0.48	2.7	24	145	17 3/4	17 3/4	17 3/4	-1/8
45 1/4	26	AMP x	0.92	2.4	18	2366	39 5/8	38 1/4	38 3/4	-1
80 1/4	53 3/8	AMR			18	7791	72 1/2	71 5/8	71 7/8	+1/2
47 7/8	36 3/8	ASA	1.71	4.3	26	1107	40 1/4	39 5/8	39 7/8	+1/4
44 3/4	30 3/4	AbbotL	0.84	2.1	19	5955	39 5/8	39	39 1/4	-1/8
18 7/8	12	AbitibiPr	0.40	2.3	9	4800	17 5/8	17 1/8	17 1/2	-1/8
27 7/8	21	ABM Ind	0.00	2.3	14	12	26 1/2	26 1/2	26 1/4	
17 1/2	13 1/8	Acptnceln			10	466	14 3/8	14 1/8	14 1/4	+1/4
37 1/8	21 7/8	ACE Ltd	0.58	1.5	0	292	38 3/8	38	38 3/8	+3/8
9 7/8	8 1/8	ACM Gvt In x	0.90	9.5	8	183	9 5/8	9 1/2	9 1/2	-1/8
7 3/4	6 1/2	ACM GvOpp x	0.68	9.1		55	7 3/8	7 1/4	7 1/4	
7 1/2	6 3/4	ACM Gvt Sp x	0.75	10.9		258	7	6 7/8	6 7/8	-1/8
8 3/4	7 1/4	ACM Gvt Se x	0.90	10.3		361	u8 3/4	8 5/8	8 3/4	+1/8
9 1/2	7 5/8	ACM Man x	0.90	10.3		100	8 3/4	8 5/8	8 3/4	
29 1/4	10 3/4	AcmeClv x	0.40	2.8	42	505	23 1/4	23 1/8	23 1/4	+1/8
38 3/8	8 1/4	Acme Elect			70	171	8 3/4	8 3/8	8 1/2	-1/8
34 1/2	23 3/4	Acordia	0.72	2.0	15	z180	27 5/8	27 5/8	27 5/8	
18 1/4	10 1/8	Acuson			25	470	11 1/2	11 3/8	11 3/8	-1/8
18 7/8	15 5/8	Adams Expr	0.48	2.5	0	246	u18 7/8	18 3/4	18 7/8	
39 7/8	27 8	AdvMic			7	6654	22 1/8	21 5/8	21 3/4	-1/4
9 1/4	5	Advest Grp	0.16	1.7	12	69	9 1/4	9 1/8	9 1/4	
26 3/4	18 1/2	Advo Inc	0.10	0.4	20	455	u27 1/8	26 3/8	27	+1/8
38 7/8	24.80	Aegon	1.28	3.3	21	149	u39 1/4	38 1/2	39 1/8	+1/8
5 7/8	3 3/8	AerOx			8	104	4 5/8	4 1/2	4 1/8	
76 1/4	46 1/4	AetnaL	2.76	3.7	35	5929	75	74 1/4	74 3/8	-3/8
44 3/4	31 7/8	AFlac	0.52	1.3	12	3117	41 3/4	41 1/8	41 1/4	-7/8
28 3/8	18	Ahmanson x	0.88	3.4	15	1825	25 7/8	25 1/2	25 3/4	-1/4
58 1/2	45 7/8	AirPrC	1.04	1.6	10	1405	54 3/8	54	54 3/8	-1/8
29 1/2	18 3/8	Airbrn Frt	0.30	1.1	80	1327	28 1/4	27 5/8	28 1/8	+1/2
30	19 5/8	Airgas Inc			35	619	28 3/8	27 1/2	28 1/8	-1/4
10	13 3/8	Airlease	2.00	11.8	12	42	17	16 3/4	17	+1/4
35 5/8	84	AirTch			125	3407	31 1/4	30 7/8	31 1/4	

[illegible]

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Continued on next page

NYSE COMPOSITE PRICES

4 pm close November 10

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close November 10

FT Free Annual Reports Service

AMEX COMPOSITE PRICES

4 pm close November 10

FT GUIDE TO THE WEEK

MONDAY 13

WEU meets in Madrid

Foreign and defence ministers of the Western European Union begin a two-day meeting in Madrid. They will try to agree a document setting out options for the organisation's future and its relation to the European Union. The UK, due to take over the WEU presidency for six months in January, is resisting any move towards merging the WEU and the EU.

Euro MEPs ponder fraud

The European parliament plenary session in Strasbourg (to Nov 17) will be dominated by the annual Court of Auditors report on fraud. It is tipped to include a catalogue of irregularities and mismanagement in EU institutions running to a cost of Ecu500m. On Tuesday, Boutros Boutros Ghali, secretary-general of the UN, will address the house.

China's president in S Korea

President Jiang Zemin becomes the first Chinese head of state to visit South Korea, three years after diplomatic relations were established. His five-day trip will include discussions on increased economic co-operation. China is South Korea's third-largest trading partner and the leading country for Korean investment.

Krenz on trial

Egon Krenz, former general secretary of the East German Communist Party, and five senior officials of the regime go on trial in Berlin. They are charged with manslaughter and attempted manslaughter in connection with a shoot-to-kill policy on the former border with the Federal Republic of Germany. The trial is one of the biggest since the Berlin wall was breached six years ago, but its outcome remains unclear, following the collapse of several other cases against the former East German leadership.

Saleroom

Christie's in Geneva begins a week of spectacular jewellery sales with a group sent for auction by Princess Salimah Aga Khan, divorced wife of the Aga Khan. The "Begum Blue" diamond of 13.78 carats, the centrepiece of a necklace of 41 diamonds, carries the top estimate of up to £5m ($7.9m). All told, more than 200 jewels should bring in close to £20m.

On Wednesday, a diamond of 78 carats known to be in the collection of the last Mughal Emperor Aurangzeb in the 17th century could make £4m.

Tennis

Pete Sampras of the US, heads the line-up for the ATP world championship in Frankfurt, Germany (to Nov 19).

FT Surveys

Vietnam and Devon and Cornwall.

Holidays

Colombia, Taiwan.

Algerians wait to enter the Algerian consulate in Lille, France, to register for Thursday's Algerian presidential election Reuter

TUESDAY 14

US in budget and debt crises

The US government will begin to shut down non-essential operations – assuming no last-minute resolution of the budget confrontation between President Bill Clinton and the Republicans controlling Congress avoids a presidential veto of temporary spending and debt ceiling bills. The $4,900bn debt limit could be breached as early as Wednesday, but treasury secretary Robert Rubin is expected to take special actions to avoid a first-ever US government default.

EMI outlines Emu plan

Alexandre Lamfalussy, president of the European Monetary Institute, the Frankfurt-based forerunner of the planned European central bank, is to detail its recommendations on how the new Euro-currency should be adopted, first by the banking system and later among the public.

WTO releases annual report

The Geneva-based World Trade Organisation publishes its first annual report on international trade. It shows that trade growth now far outstrips production growth, reflecting globalisation of the world economy.

SDP congress in Mannheim

Germany's opposition Social Democrats will try to put behind them months of internal quarrels and shrinking electoral support at their annual congress in Mannheim (to Nov 17). The congress is expected to confirm Rudolf Scharping in his position as party leader in spite of his low standing in opinion polls.

Report on German economy

The so-called five wise men, all leading German economics professors, present their annual review of the economy, one of the most comprehensive diagnoses of the health of Europe's biggest. Recent forecasts have suggested that GDP growth next year is expected to slow to 2 per cent, down from the 2.5 per cent forecast by the government for this year.

Saleroom

The highlight in a week of auctions of contemporary art in New York is Jackson Pollock's "Number 1, 1952", estimated to fetch up to $4m at Christie's. Created by the celebrated "drip" painting technique, it is the best Pollock to appear for some years.

FT Surveys

Greece and UK Electricity.

Holidays

Jordan.

WEDNESDAY 15

State opening of parliament

The 1995-96 session of the UK parliament is opened by the Queen with the traditional speech setting out the government's legislative programme for the coming year. The speech is expected to include a number of controversial measures, including bills on immigration, divorce and domestic violence.

Football

Qualifying matches for next year's European championships include: Portugal v Ireland, Slovakia v Romania, France v Israel, Netherlands v Norway, Germany v Bulgaria.

FT Surveys

Japan in Asia and Engineering in Action.

Holidays

Brazil, Côte d'Ivoire.

THURSDAY 16

Apec meets in Osaka

Foreign and trade ministers of the 18 members of the Asia Pacific Economic Co-operation forum start a two-day meeting in Osaka, Japan. The ministers aim to finalise a joint action programme for implementing last year's decision by Apec leaders to achieve free trade and investment in the region by 2020.

The programme is due to be approved by the leaders – who include US President Bill Clinton, President Jiang Zemin of China and Prime Minister Tomiichi Murayama of Japan – at the third annual Apec summit in Osaka on Sunday.

Weapons treaty deadline

Midnight is the deadline for signatories to the Conventional Forces in Europe treaty to complete destruction of weapons stocks which exceed the agreed limits. Russia may not be technically compliant with the treaty in time, as it has yet to destroy some specified equipment held east of the Ural mountains because of financial problems, and has a concentration of weaponry in the Caucasus which exceeds the agreed limit because of tension in the region. Nato has said it will not ignore the breach, but will work with Russia to resolve the problems.

Algeria votes for a president

Algeria holds the first round of presidential elections. The Islamist armed opposition has vowed to disrupt the poll and opposition leaders have called for a boycott. The vote is the first since the army cancelled the second round of legislative elections in 1992 which the Islamic Salvation Front was poised to win. Since then, Islamists and government forces have been locked in a bloody struggle, which has already cost more than 40,000 lives. Four candidates, all perceived to be pro-government, have qualified for the election. The incumbent, Liamine Zeroual, is widely expected to carry the vote.

Cricket

South Africa and England start their first Test at Verwoerdburg (to Nov 20).

FT Surveys

Derivatives and Europe's Dynamic Entrepreneurs.

FRIDAY 17

SDLP party conference

British policy in Northern Ireland is set to come under fresh attack from John Hume, leader of the province's moderate nationalist Social Democratic and Labour party, at its annual conference in Newcastle, County Down (to Nov 19). Amid signs of unrest among hardline republicans, with the seizure last week of a 300lb bomb in the Irish Republic, Mr Hume is expected to step up his call on the government to convene immediate all-party talks.

Monopoly at 60

A Monopoly 60th anniversary party is appropriately held at the Park Lane Hotel, Mayfair, honouring the two highest value properties in the English version of the real-estate board game. Invented in the US in 1933, it was first marketed in the UK in 1935. Highlight of the evening is the auction of a special Monopoly set made of precious metals and gems.

Mastering Management

The fourth of the FT's 20-part series appears in the UK edition. Non-UK readers can take out a subscription.

FT Surveys

India.

Holidays

Azerbaijan, Zaire.

SATURDAY 18

UK unions hold conference

Gordon Brown, shadow chancellor of the UK's opposition Labour party, will talk to a Unions 95 conference on "Getting Britain to Work" at the headquarters of the Trades Union Congress in London. An afternoon session on "Renewing the Unions" will be addressed by John Monks, general secretary of the TUC.

Rugby union

At Twickenham, England v South Africa; at Murrayfield, Scotland v Western Samoa; at Lansdowne Road: Ireland v Fiji. In Paris, France host New Zealand for their second Test.

SUNDAY 19

Presidential run-off in Poland

The second round of Poland's presidential election sees incumbent Lech Walesa (left) chasing a 2 per cent lead clocked up by his challenger, former communist Aleksander Kwasniewski, who got 35 per cent of the vote in the first round. Up to now, the election has centred on the youthful Mr Kwasniewski's communist party past, as President Walesa batters home the message that a vote for his challenger is a vote for returning to the miseries of the past.

Elections in Catalonia

Voters in Spain's self-governing Catalonia region go to the polls to renew their parliament just four months before general elections are provisionally scheduled. Catalan President Jordi Pujol, the man who has forced the Socialist administration in Madrid to cut short its term, is trying to hold on to the regional government he has run for 15 years.

Italian privatisation

The Italian government will announce the offer price of shares in Eni, the state-owned energy and chemicals group, ending a fortnight in which the Italian public has been able to reserve stock in one of the world's biggest ever flotations. The treasury, which aims to sell between 17 and 24 per cent of Eni, has set a price range between L5,250 ($3.24) and L6,000 a share, and could raise more than L10,000bn from the partial privatisation.

Referendum in Chad

Chad holds a referendum to approve a oew constitution and to decide if multi-party elections will follow. Presidential elections are due on February 11 1996, with parliamentary elections in April.

Compiled by Patrick Stiles.
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ECONOMIC DIARY

Other economic news

Monday: UK factory input prices are expected to have risen only slightly last month after the large increase in September.

Tuesday: Economists expect US retail sales growth to be weak in October after slowing in recent months.

Wednesday: UK retail sales are expected to have picked up slightly last month, although growth remains weak. The annual rate of US consumer price inflation is thought to have accelerated last month. The number of people unemployed in the UK is thought to have fallen again in October. UK average earnings growth is expected to remain at current levels.

Thursday: Most economists expect the annual rate of UK retail price inflation to have fallen last month, although the underlying rate, excluding mortgage interest payments, is thought to have edged upwards. A small public sector borrowing requirement is expected in the UK in October as corporation taxes and a recovery in VAT receipts boost tax revenues.

Friday: Most economists expect Italian industrial production growth to have slowed in September.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	Sep mach'ery ord, ex-power/ships*	4.0%	-3.9%
Nov 13	Japan	Sep mach'ery ord, ex-power/ships**	6.7%	2.4%
	UK	Oct producer price indx input*	0.2%	0.9%
	UK	Oct producer price indx input**	9.1%	9.5%
	UK	Oct producer price indx output*	0.2%	0.2%
	UK	Oct producer price indx output**	4.6%	4.5%
	UK	Oct PPI ex-food, drink & tobacco**	4.9%	5.1%
	Spain	Sep producer price indx*	0.2%	0.1%
Tue	US	Oct retail sales	unch	0.3%
Nov 14	US	Oct retail sales ex-auto	unch	0.7%
	US	Oct Atlanta Fed indx	-	-6.5
Wed	US	Oct consumer price indx	0.2%	0.1%
Nov 15	US	Oct CPI ex-food & energy	0.2%	0.2%
	US	Oct industrial production	-0.2%	-0.2%
	US	Oct capacity utilisation	83.5%	83.8%
	US	Sep business inventories	0.3%	0.4%
	US	Oct real earnings	-	0.4%
	Japan	Sep industrial production†	-	-1.7%
	Japan	Sep shipments†	-	-2.2%
	UK	Oct unemployment	-12,000	-27,7000
	UK	Sep average earnings	3.25%	3.25%
	UK	Sep unit wages 3-monthly**	3.6%	3.6%
	UK	Oct retail sales*	0.2%	0.0%
	UK	Oct retail sales**	0.1%	-0.2%
	Spain	Oct consumer price indx*	0.3%	0.4%
Thu	US	Nov Philadelphia Fed indx	-	25.5
Nov 16	US	Initial claims w/e Nov 11	370,000	-
	US	Oct M2	-$1.0bn	-
	Japan	Oct overall wholesale price indx*	-0.1%	0.7%
	Japan	Oct overall wholesale price indx**	0.0%	-0.2%
	France	Aug current a/c†	FFr6.0bn	FFr1.6bn
	UK	Oct retail price indx*	-0.1%	0.5%
	UK	Oct retail price indx**	3.7%	3.9%
	UK	Ditto ex-mortgage int'st payments**	3.3%	3.1%
	UK	Oct public spending borrowing req	£0.4bn	£3.7bn
Fri	US	Oct housing starts	1.41m	1.39m
Nov 17	US	Oct building permits	-	1.39m
	Japan	Oct money supply (M2+cash dep)**	2.8%	2.8%
	Japan	Oct broad liquidity**	-	3.8%
	Canada	Sep manufacturing new orders	0.4%	0.2%
During the week...				
	Japan	Oct trade balance, customs cleared	$7.1bn	$9.3bn
	Germany	Sep orders, West*	1.5%	-3.6%
	Germany	Oct wholesale price indx, West*	-0.1%	0.4%
	Germany	Oct Ifo business climate	-	96.2
	Germany	Sep retail sales, real**	-1.5%	-2.0%
	Germany	Oct producer price indx, West*	0.0%	0.1%
	Germany	Oct prod price indx, pan-Germany*	0.0%	0.1%
	Germany	Oct prod price indx, pan-Germany**	1.7%	1.9%

*month on month, **year on year, †seasonally adjusted *Statistics, courtesy MMS International.*

MONDAY PRIZE CROSSWORD

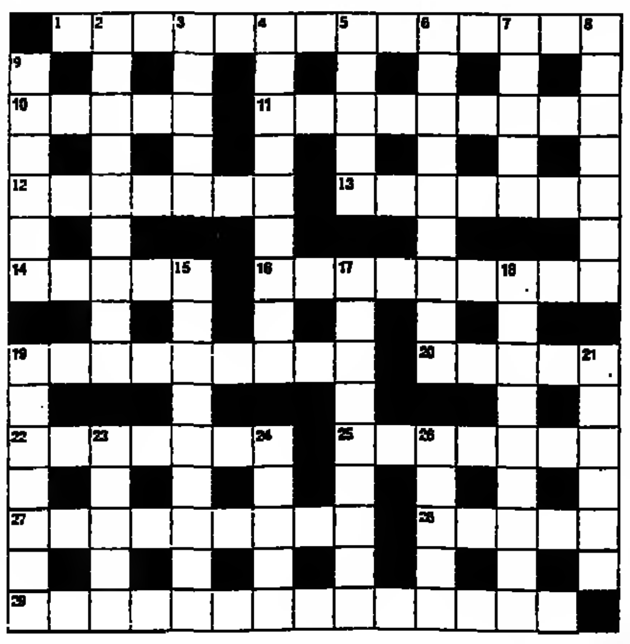
No.8,917 Set by DANTE

ACROSS

1 Cryptic compiler Ben? He's quite logical! (14)
10 A fringe gathering of lace-makers (5)
11 Victor takes girl endless celebratory wine (9)
12 Point learnt afresh, always to be remembered (7)
13 Hill split by flood (7)
14 Race in one game leads to another (5)
16 Famous surgeon in bed suffering from burns? (9)
19 He leaves his coat on the wall (9)
20 Removal workers! (5)
22 Peasant breaks a foot (7)
25 Transport Clive arranged to accommodate ambassador's return (7)
27 Orange cheese from Crete' (sic (9)
28 Very much a negative result (2,3)
29 Encouragement for a couple of failures (5,4,5)

DOWN

2 Sort of carthorse needing a man with a stick to start it (9)
3 Swan circling about to primp its feathers (5)
4 Brand associated with Arthur (9)
5 Spot-on old-time variety performance (5)
6 Parts – of feminine attire (9)
7 Instrument there's call for (5)
8 One would feel put out to be treated so (7)
9 Examination of French form included a severe test (6)
15 Recovering, need month off (2,3,4)
17 River seen swirling backwards (2,7)
18 Artist cooks chicken – in case of bad weather? (9)
19 Short time work for actors (7)
21 With it, the essay is without purpose (6)
23 Jumping bail, I must make an excuse (5)
24 All for musicians (5)
26 One who believes in British industry (5)



A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday November 23, marked Monday Crossword 8,917 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday November 27. Please allow 28 days for delivery of prizes.

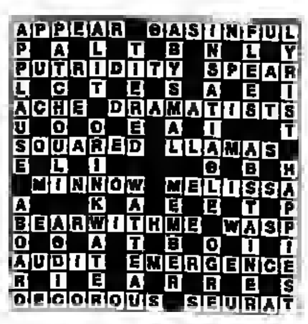
Name..........

Address..........

Winners 8,905

Miss L.J. Massie, Sutton, Surrey
David Johns, Loughborough
Mrs L.M. White, Belfast
Martyn Thomas, Bath
L.R.C. Bouquet, London NW2
A.R. Neale, Bahrain

Solution 8,905



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DEVON AND CORNWALL

Region must sell itself

With a growing workforce, a strong development agency is being advocated, writes Roland Adburgham

The fishing port of Mevagissey in Cornwall

Photographs for this survey were taken by Ashley Ashwood

The Tamar Bridge, looking from Devon to Cornwall: ready to give "greater emphasis to a strategic direction"?

Figures for inward migration prove it: Devon and Cornwall are desirable parts of England. The gentle (if damp) climate, the 800km of unmatched coastline, the national parks of Dartmoor and Exmoor, have caused an influx of people.

The population of the two south-west counties rose by almost 9 per cent to 1.5m in the decade to 1991 (compared with a rise of under 3 per cent in England). It is projected to be 12 per cent higher in 10 years' time. The assumption that most newcomers arrive to enjoy retirement is false. Those people are in the minority and the workforce is forecast to rise nearly 10 per ceot between 1991 and 2006.

Another assumption might be that the counties' popularity proves they are thriving; instead, they are among the least prosperous parts of the UK. Gross domestic product per head in Devon is 87 per cent of the national average and in Cornwall only 73 per cent. Average weekly pay is well below the national average, especially in Cornwall.

Although unemployment has fallen, there is concern that job creation will not keep pace with the growing workforce. Cornwoll has ingrained high unemployment at such places as Redruth and Camborne, where deprivation can be compared with the south Wales valleys. Unemployment is lower in Devon but Plymouth has the continuing loss of military and dockyard jobs and inner city poverty. Even North Devon has its blackspots.

The cause is the decline of the traditional industries of fishing and tin mining, changes in china clay, agriculture and tourism, and the contraction of the defence industry coinciding with the recent recession. The counties, therefore, face the challenge of not only creating jobs, and of improving prosperity, but to do this with least damage to their enviable environment.

The response has been a variety of initiatives, notably the Westcountry Development Corporation (WDC), a public and private partnership set up two years ago and chaired by Mr Eric Dancer, managing director of Dartington Crystal. It aims to give the counties a unified voice and a co-ordinated strategy to promote the region in the UK and Europe as a place for business, rather than being seen merely as a holiday destination.

Within the counties, there is a belief that Whitehall and Westminster fail to recognise their needs. The counties are riled by accusations of "whingeing" and believe they suffer by being grouped, in the government's definition of regions, with wealthier south-west counties. Those have Bristol as their economic hub bnt Plymonth, easily the largest city in Devon and Cornwall with 250,000 people, is 125 miles away.

Mr John Ingham, Labour leader of Plymouth council, comments wryly: "People in Whitehall confuse us with Portsmouth and believe the world ends at Bristol." He adds: "People see us on a nice day as a beautiful modern city with wonderful Plymouth Sound, and go away with the false view that there aren't any difficulties."

Mr Brian Greenslade, chairman of Devon's policy committee, speaks of the impact of successive years of government capping of the county's budget. The rising population means, he says, that "there is grave concern that we won't be able to provide the infrastructure we need – not only housing, but roads and schools."

The government has had a price to pay – not least because householders consider it partly responsible for the fact that Sonth West Water, the privatised utility, imposes the country's highest charges. In Cornwall, where Liberal Democrats control the county council, the Conservatives have only six of 79 seats. In Devon, the Liberal Democrats are the largest party, though without overall control. The Tories lost control of Plymouth in 1991. Local Tory MPs – aware that at the next election they will be defending majorities of under 6,000 in six constituencies – are lobbying ministers on behalf of the counties.

Further tensions have been caused by the government's reorganisation of councils. Sir John Banham, who chaired the local government commission, wanted n single unitary authority for his home county of Cornwall. But lack of support for that resulted in the retention of five district councils as well as the county. In Devon, Plymouth and Torbay will gain unitary status in 1997. The unexpected decision on Torbay fuelled protests by Exeter that it, too, should have unitary status – a proposal that is vigorously resisted by the county. A final decision is due early next year.

The government would argue that it has listened. Baroness Cumberlege was appointed "sponsor" minister for Plymouth in 1993 and is praised locally for her commitment. Last year, the Government Office of the South West, based in Bristol, set up a twin office in Plymouth "to respond to the needs of Devon and Cornwall". Although the counties complain that, compared with Wales, they have received far less aid, the areas qualifying for regional selective assistance were widened in 1993.

Cornwall and mnch of Devon, inclnding Plymouth, also qualify for European structural funds, with £168m available between 1994 and 1999. Mr Greenslade welcomes the allocation, but states: "Our ability to provide matching funds is very limited."

Mr Roger Harris, senior partner in Plymouth of KPMG, the accountancy firm, says: "I don't believe we've had our fair share of government attention on a *timely* basis – but there's not a lot of point in *looking backwards in business.*

"The south-west must have a united front in dealing with the government. That has not always been the case. We do feel hard done by, but there's a major need to be positive about the region. There is a need to point out the requirements – but also a need to point out what's right."

Mr Harris is vice-chairman of South West Enterprise (Swel), the private sector arm of the WDC and which has South West Water and Sweb, the electricity utility, as leading backers. Sweb was taken over this summer by the US group Southern but Mr Gale Klappa, its new chief executive, indicates it will continne to support Swel. "In the US, we have a rich history of going beyond normal corporate responsibility to encourage the right kind of growth which is acceptable to commmities."

Mrs Doris Ansari, chairman of Cornwall's policy committee *and vice-chairman of Devon* and Cornwall Development International, the inward investment agency, says: "We desperately need to say we're not peripheral but part of the mainstream, with a good manufacturing base and a highly skilled workforce." The WDC – which also has backing by local authorities and Devon & Cornwall training and enterprise council – points out, for example, there are 600 electronics companies.

Last month, Sir John – who chairs Swel and Westcountry TV – said in Truro, Cornwall's county town: "We need a combination of anger and ambition. Cornwall must want, very much, to see things improved and must be unwilling to settle for a gentle slide into rural poverty."

Mr Michael Galsworthy, chairman of a campaign to promote Cornwall called In Pursuit of Excellence, states: "We all need to be energetic 'sales *persons' for the county;* zealous that the commercial world about us recognises not just the magnificent environment, but also the rapidly growing portfolio of highly successful business ventures."

To make the selling more effective, the many organisations involved in economic development need to be streamlined. Mr Ingham says: "A government really serious about Devon and Cornwall would have a single development agency and define common strategies with the money to follow it through." Mr Harris comments: "My own view is there are too many agencies. There is a great need to work together and, as soon as practical, to reduce the number." Mr John Mannell, chief executive of Devon & Cornwall Tec, envisages a one-stop campus.

Mr Mike Boxall, WDC's chief executive, says its partnership has been cemented and is ready to move to the "next *phase of giving greater empha*sis to a strategic direction and the capturing of quality investment and projects.

"With pressure on resources, particularly in the public sector, we have to take the next quantum leap. If that means bringing agencies together to pool resources for front-line activities, I personally would have a great deal of support for that."

■ **The economy:** by Roland Adburgham

Winds of change are felt

Industry has had to diversify while the disadvantages of distance are being overcome

While windfarms are an obtrusive sign of the resbaping iodustrial landscape in Cornwall. other winds of economic change are blowiog through the county and its neighbour, Devon.

In tbe 1980s, primary industries declined and the service sector grew by nearly a third, to account today for 70 per cent of employment (though 60 per ceot of the oew jobs are part-time). Tourism and leisure is still a vital industry but the decade saw rapid growth io retailing and professional and business services.

Local authorities remain the largest employers though, as elsewbere, jobs io public administralioo are diminlsbing. Manufacturing has reduced its workforce but there has been diversification into elecironic engineering aod high technology. Health care – tbe region has a higb proportion of retired people – is growing in importance. The economy, while forced to adapt by structural cbanges io wbat were its slaplc iodustries, is becoming more balanced.

Disadvantages of distance are being overcome not only by upgraded roads but by improved telecommunications. Eurobell, witb a fraochise including Plymouth, Exeler and Torbay, plans a £200m investment in a cable oetwork aiming to reach 200,000 business and domestic premises over the next five years.

Ooe company with its own digital microwave network, linking seven regional studios, is Westcountry TV. Owned by Associated Newspapers, Brittany Ferries and South West Water, it weot on air in January 1993, having won the franchise from TSW. It is making money – a pretax profit of £3.7m in 1994 – despite only 6 per cent of its advertising reveoue being geoerated from within its territory.

This is one indication of the region's realities: all but 1 per cent of tbe 36,000 businesses are small and medium-sized enterprises, employing under 200 people. Of the half-million labour force, a quarter are self-employed, well above the national average. South West Water is one of the few large companies based in the region and Medical Sickness Group is one of the rare UK organisations to bave relocated its beadquarters there.

The wind farm at Carland Cross, near Truro in Cornwall

Mr Ken Martin, chief executive of Devon and Cornwall Development International, the ageocy whicb woos inward investmeot, commeots that it is easier to convince foreign companies of the region's merits tban what be calls "our upcountry cousins".

Cornwall has the toughest task of persuasion, as shown by a Mori poll publisbed in July of 1,000 UK senior executives. The poll sbowed the county was rated more poorly than other peripberal areas as a prospect for investment.

Efforts to change these perceptions are being made. The campaign in Pursuit of Excellence seeks to show the existing range and quality of commercial activities in Cornwall and encourage more. The Confederation of British Industry's south-west region is highlighting successful companies in the two counties as part of its flag-waving Operatioo Excellence. An investment and relocation exhibition will be held at Exeter University oext March, organised by Devon county council.

Local businesses themselves prove to be insular by being very depeodent upon local markets. Devon & Cornwall training and enterprise council says 60 per cent of businesses trade solely within the two counties. Only 13 per cent trade witbin the European Union and 11 per cent with the rest of the world.

With most large companies being either foreign-owned or headquartered elsewhere, there is a need to encourage local sourcing as well as exports. This year, government funding of £400,000 was provided for a regional supply office, to be run by DCDI.

More help for small and medium-sized enterprisea comes with a new support network of seven Business Link centres and from South West Investment Group, a public and private sector organisation intended to offar loans to bridge the "equity gap".

With economic recovery having slowed, Mr John Mannell, chief executive of Devon & Cornwall Tec, says: "I don't see the prospect of a substantial reduction in unemployment. But there is a growing skill shortage." The Tec is broadening a modern apprenticeship scheme, launched in September, to 30 industries and emphasises the Investors in People programme. Over 100 organisations in the counties have IIP and nearly 400 are committed to achieving it.

One encouraging aign for future skills is that more 18-year-olds tban the national average go into higher education. There are 11 colleges of further educatioo and two universities, at Exeter and Plymouth, which have strong engineering and electronics faculties.

Plymouth University, which includes Plymouth Business Scbool, is ooa of tha UK'a larger universities with 16,000 full and part-time students. It has lifted its research and consultancy income and describes its industrial links as ever-strengthening.

Exeter University recently set up a business relations unit as a point of contact for companies and wants to establish an innovatioo ceotre, where companies could work with university engineers and scientists. Its centre for management studies has a scheme under which MBA students offer services free to companies to develop marketing projects.

An ambitious plan by Exeter University is for a university in Cornwall to belp to regenerate the economy. Business studies are intended to be an important subject there and possible sites have been shortlisted.

■ **Inward investment:** by Roland Adburgham

Overseas companies drawn in

Despite limited resources, the development agency has just had its best year ever

On the windswept spine of Cornwall, within sight of the ivy-clad ruins of tin mines, are two large adjacent plants: one run by Pall Corporation and the other by Contico Europe Holdings.

The significance is not only that they are sizeable employers in the depressed area of Redruth, but that they are both foreign-owned.

Pall, a US manufacturer of filtration equipment, has been long-establisbed at Redruth and now has two other plants in the region, near Newquay and at Ilfracombe in Devon. Contico, a Missouri-based company making plastic containers, arrived in 1992 and has since added 90,000 sq ft to its factory and taken on more staff.

Not far away is a newcomer, Dransfield Holdings of Hong Kong. In May it took over Redruth Brewery from the receiver – the first Hong Kong investmeot to be made in either Cornwall or Devon.

These investments demonstrate that international companies can be drawn to apparently far-flung parts of the UK. Disadvantages of distance can be counterbalanced by improved roads (Redruth is next to the upgraded A30), good telecom links, available skilled labour and a desirable environment to which managers are happy to relocate.

An additional inducement in Cornwall and parts of Devon is regional selective assistance. Contico, for example, had a £1.4m grant tied to its initial investment of £4.5m and creation of 100 jobs, and a further £950,000 for its expansion.

To woo overseas companies, the two counties have a long-established agency, Devon and Cornwall Development International, backed by the government's Invest in Britain Bureau. It has offices in Boston and south-east Asia although, compared with regional organisations such as the Welsh Development Agency, its budget is modest. Its 1994-95 income of £1.2m included grant aid of £787,000 plus funding from the Westcountry Development Corporation and the private sector.

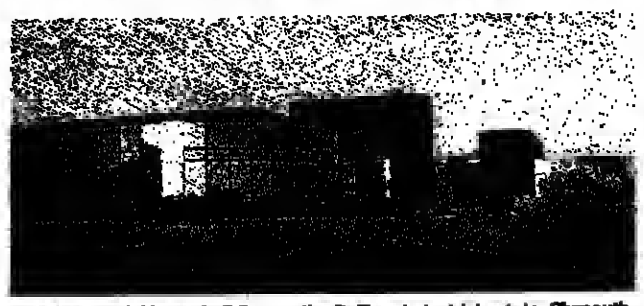
Deapite these limited resources, and the ever-more competitive market for inward investment, DCDI had its most successful year yet in 1994-95, with 19 decisions creating 895 jobs and safeguarding 552. Nearly £48m of direct investment was pledged, with grant aid offered of £5.6m.

The importance of inward investment is shown by the fact that most of the biggest manufacturing employers in the two counties are foreign-owned. In all, there are about 90 overseas companies – two-thirds are North American, five Japanese and virtually all the others from cootinental Europe. These employ 15,000 people, the vast majority in manufacturing, accounting for about 20 per cent of the sector's labour force.

Devon bas attracted most of the companies, especially in the Plymouth area. A study of inward investment, published by Plymouth Business School, commeots on the lack of recognition that, since 1960, foreign companies have created as many manufacturing jobs in the city as in Bristol or Cardiff.

Of crucial importance is whether the arrivals flourish. The evidence is that only a bandful have pulled oot and many have expanded. Wrigley of the US has seen output at its Plymouth factory rise threefold in eight years and has increased the workforce to 650. Becton Dickinson, the American bealthcare company, set up in the city in 1980 and has since expanded. Toshiba Consumer Products of Japan arrived in 1981 and now employs over 1,000 people.

A recent arrival in the city is Kawasaki Precision Machinery, which took over Staffa Motors' facility at the beginning of 1994 as its first machinery manufacturing plant in Europe. Within 12 months, productioo rose by 35 per cent and the Japanese company announced it would increase its staff to 270.



The Becton Dickinson building on the Bellver industrial estate, Plymouth

The largest reinvestment, however, is not at Plymouth but in Torbay, where Nortel of Canada, which employs 1,500 people there, announced in April it would invest £48m, creating 916 jobs, for a radio access project. There had been competition for the investment from the US and Mexico, and an influential factor was that Torbay had gained assisted area status. Nortel's grant of £5m is the largest yet to have made in south-west England.

Another large employer in Torbay is AVX Kyocera of Japan, which makes capacitors, but other investment is well spread. In north Devon, Caperboard, a division of Glunz of Germany, is expanding at South Molton, where it is already the largest employer. A few miles away, at Barnstaple, Cox Pharmaceuticals, a subsidiary of Hoechst, has a purpose-built plant employing nearly 400 people.

Howmet Turbine, owned by Pecbiney of France, has 800 people making airfoil castings at Exeter.

In terms of jobs, engineering and electronics are the most important sectors, followed by healthcare, which is seen as a growth prospect. In 1993, VIDAmed, a Californian company making a prostate treatment device, invested £4.9m at Plymouth, attracted not only by a £750,000 grant but by the medical researcb facilities at Derriford Hospital and Plymouth University. Wales, Northern Ireland and Belgium had competed for the project.

Mr Ken Martin, DCDI's chief executive, says: "Without a shadow of a doubt, our strongest suit is our labour force – its quality and flexibility. Abseoteeism and days lost through industrial action are among the lowest in the country and productivity gains are seen to be good. There is an ability to adapt to changes in technology."

Reinvestment, be says, is running at about 60 per cent of total investment. "The after-care side is very important – we take co-ordinating responsibility to ensure companies are viaited but not overvisited. There are designated lead officers to stay with them and to be their first contact."

He adds: "The region has to maka its offer as attractive as possible: we have to ensure we have enough sites and facilities in the right place, and not ruin the reasons why people want to come to the region. And we must ensure communications are upgraded as much as possible."

Many of the foreign-owned companies are significant exporters, proving that their location is not a bandicap. Wandel & Goltermann, a division of WG of Germany which makes telecom test equipment, employs 220 people at Plymouth and exports 95 per cent of its output.

Mr Mike Bourton, the managing director, finds people are sometimes surprised that the company is based in Devon. But, he says: "We are technically innovative; we have a flexible multiskilled workforce; our business is growing. So really nobody should be surprised we're here, it's a good place to be."

■ **Transport:** by Roland Adburgham

Blue ribbon is out of reach

The two counties are now more accessible and connections are being upgraded

The blue ribboo that appears on UK road maps to designate a motorway causes some dark thoughts in Plymouth.

It shows the M5 ending at Exeter and reinforces the belief of some outsiders that Plymoutb is bard to reacb. This galls those promoting the city as the A38 – marked green on the map – is a dual carriageway the wbole distance from Exeter and of oear-motorway standard.

A more achievable objective than changing green to blue is to lobby for the road to be designated A38(M). Similarly, the A30, which bisects the counties, is a dual carriageway most of the distance from Exeter to Camborne in Cornwall. Meaowbile, the oorth Devon link road has cut jouroey times between the M5 and Barnstaple.

Altbough further improvemeots are needed, Devon and Cornwall are far more accessibla by road than in previous decades, and attention is turning to maintaining – and preferably upgrading – air, rail and sea connections.

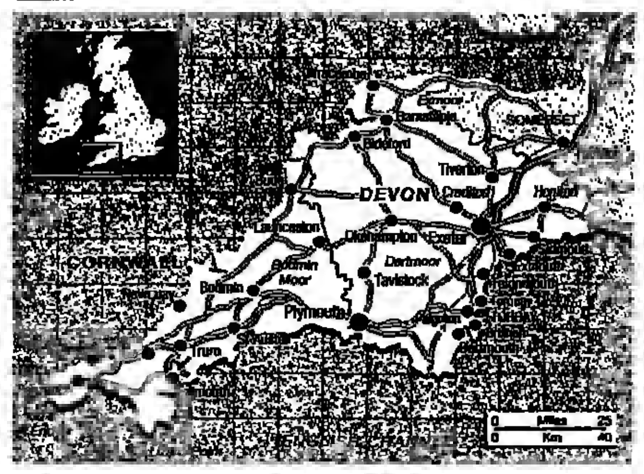
The two counties have the extravagance of three commercial airports, all witb drawbacks. These are: Exeter, owned by Devon county council; Plymooth, owned by the city council; and Newquay in Cornwall, which uses RAF St Mawgan.

Exeter airport, close to the M5, has a long runway – 2,000 metres – and a new taxiway completed in September. It can handle a Boeing 767 with 280 passengers and charter operators include Thomson, First Cboice and Airtours. But scheduled services are limited to the Channel Islands, Scilly Isles and Ireland.

Last year, the airport carried 196,000 passengers, up 5 per cent on the previous year. But it loses money, although its council subsidy was reduced by £50,000 in the last financial year to £485,000.

Brymon Airways, a subsidiary of British Airways, runs scheduled services from Plymouth and Newquay, of which the most vital are daily flights to London's Heathrow. At Plymouth, passenger traffic grew to 91,000 io 1994, an increase of 1S par ceot, and there is a similar increase this year. But the airport, hemmed in by developmeot, bas a usable runway of only 1,030 metres and cannot operate jets. It is prone to difficult weather which causes diversions.

Newquay has a runway that can take anything that flies and a new terminal, built by the county and district councils. Although the service is confioed to Heathrow, the number of passengers grew to 40,000 in the last financial year, a rise of 27 per cent. But its catchment area is small in terms of population.



These two airports have an additional worry: Brymon's elderly Dash 7 aircraft will soon need replacement. This raises fears BA might consider that an opportune time to make more profitable use of its Heathrow slots.

Mr Mike Jooes, managing director of Brymon, is reassuring. "We've always said that if the route is profitable, then it is as safe as any route can be. It is not in danger at present. We're happy with passenger numbers, which are well above our expectations." He says 67 per cent of passengers connect to BA flights out of Heathrow, which provides the airline with high-value traffic.

BA'a board will take a decision shortly on replacing the fleet with the Dash 8-300 which flies faster and has more seats. The indications are this will be approved.

Rail links are another cause for anxiety. There is a fast two-hour service from London to Exeter but then the train takes another hour to reach Plymouth. There are doubts about the future of the onward route to Penzance at a time of privatisation, and over the prospect for electrification. Nor is there a freight terminal for the Channel tunnel.

One improvement has been the reopening of Ivybridge station to provide a commnter sarvice to Plymouth. On the Cornish side of the city, a light rail link has been mooted to reduce car traffic, rather than the option of a second Tamar road bridge. The existing bridge is owned by the city council and Cornwall council and its tolls – £1 for cars – subsidise Torpoint ferry.

As might be expected, the two counties have a string of ports – notably the deepsea ports of Plymouth and Falmooth with, among otbers, Teignmooth in Devon and Fowey in Cornwall. Plymouth, the busiest port, is known for Brittany Ferries' aervices to Roscoff in France and Santander in Spain. These run from Millbay Docks, owned by Associated British Ports.

This autumn, plans have been put forward to seek more investment in Plymouth as a whole to increase roll-on, roll-off traffic and dry bulk cargo. It is argued that driving times from Manchester and Birmingham are less than they are to Dover and that enhanced sea rootes wnuld be complementary to the Channel tunnel.

Mr Barry Cullum, chairman of Atlantic Arc Task Force, whicb encourages trade between Europe'a Atlantic regions, says: "Plymouth's location means that ship operations and road and rail hauliers using the port can save up to 12 hours by comparison with South Coast and Bristol Channel ports."

Plymouth – given its historic and natural attractions – is also seen to have more potential as a port of call for cruise liners.

■ **The primary industries:** by George Parker

The fight to halt decline

Tin mining and fishing have suffered, but china clay is growing in importance

Traditionol industries have long formed the bedrock of the economy in Devon and Cornwall. The primary industries of mining, farming, fishing and construction continua to employ 13 per cent of the workforce, compared with 8 per cent in the rest of the country.

But the decline of these industries over many years has been a feature of the region's economy, and the two counties have struggled to adjust to the new economic climate.

Cornwall's crest depicts a tin miner and a fisherman, and the rundown of both industries has made a deep impression on the psyche of the county. The failure of the Cornish economy to replace johs lost in the mines and on the trawlers has given the county long-term unemployment rates well above the national average.

Tin mining survives, but only just. Last year the South Crofty mine at Pool – in the heart of the old Cornish tin mining belt – seemed certain to close, ending a tradition which dated back to the days of the Phoenician expeditions to the county.

With tin prices depressed following the collapse of the international tin agreement, South Crofty was destined to go the same way as hundreds of other mines which pockmark the county. An emotional response from the Cornish public to a stock market flotation – and the intervention of Canadian and Indian mining interests – raised the £1.3m needed to keep it going.

The mine is now 95 per cent owned by Canada-based South Crofty Holdings, which also has potash interests in Thailand and a diamond mine in Botswana among its diverse portfolio. Mr Kevin Ross, managing director of South Crofty plc, says: "We have been here since 1592 and I think we will be going for a little longer yet."

South Crofty employs 330 workers and is investing heavily in opening up ore-rich seams 3,000 ft under Pool – the deepest in the county's history. The mine currently operates on a break-even figure of £4,500 a ton compared with the market price of around £3,900.

China clay "alps" near St Austell in Cornwall

The fish auction at Plymouth's new fish market

Mr Ross says the investment in new seams will rednce the mine's break-even figure in the medium term, but South Crofty's quickest route to profitability would be through a revival in the tin price.

Less well-known than the tin industry, but far more important these days, is the china clay business. English China Clays, the main operator, employa 3,250 workers in its mid-Cornwall heartland. The landscape for miles around St Austell is marked by white conical spoil heaps, known as the Cornish Alps.

Although the directly-employed workforce is down from the 6,000 level of 1970, the business is now stable and brings £100m into the Cornish economy. Some 80 per cent of china clay production is used in paper prodnction, where the product gives the glossy look to magazine pages.

ECC has a big land reclamation programme in hand to flatten the alps, and is also investing in new facilities to develop the industry. The company's chemical subsidiary, Calgon, is building a new manufacturing plant near St Austell to develop a production chemical used in the china clay process, while a new £8m dryer is being installed at the port of Par.

Dr Clive Gronow, managing director of ECC International Europe, says: "Our latest performance has shown profits are np and margins have improved significantly. We will be embarking on a £40m-plus investment programme over the next two years as we introduce new processing technology, develop new products and replace old plant."

ECC also has quarrying interests in Devon, which provides a number of aggregates and is an important national source of ball clay.

Fishing has been in decline for over 50 years. The mackerel shoals were fished to near-oblivion, partly by factory ships from eastern Europe, while virtually every other species has come under pressure.

The Common Fisheries Policy, which treats fish as a common European resource, has allowed the large Spanish fleet to operate in western waters. West Country fishermen complain that Spanish boats have helped to devastate stocks, partly through the landing of undersized, young fish.

Mr David Harris, MP for St Ives and chairman of the Tory backbench fisheries committee, believes the industry will continue to contract. "There is still a lot of rationalisation to go, but I think what will be left is an industry with a future," he says.

Tha arrival of up to 40 Spanish hoats in the waters of so-called Irish Box on January 1 is a further threat to the declining West Country fishing fleet. Boats operating ont of Brixham, Newlyn and Looe can be seen flying the maple leaf flag in sympathy with Canada's tough action against Spanish trawlers.

Despite the decline in the fishing industry, it remains a valnable employer. Although only 2,750 people work on boats in the two counties, up to five times as many work in onshore support and processing jobs. Fish exports – mainly to France and Spain – account for up to four-fifths of the catch at the biggest Cornish port, Newlyn.

Employment on the land has also been declining, with a 6 per cent drop in the agricultural workforce in the last decade. But after a several years of declining incomes, farm fortunes are starting to pick up.

The West Country farming industry is characterised by small family farms, specialising in dairy and livestock, with an important minority of pig and poultry farms. Large arable farms are few.

Cuts in EU milk quotas during the 1980s delivered a sharp jolt to the dairy sector, and helped push many farmers into other areas of economic activity. Farm gate sales were stepped up, farm holidays were promoted and golf courses were created on former farmland.

The abolition of the Milk Marketing Board in 1994, and its replacement by the co-operative Milk Marque, has led to a marked increase in the farm gate price for liquid milk. Hill farm incomes have risen slightly – supported by a range of environmental subsidies – but pig prices have plummeted.

In 1992 there were 18,100 holdings employing 41,130 workers, with three-quarters of the workforce being provided by farmers and their families.

■ **Tourism:** by George Parker

Signs of life in the hotels

After a record year, the emphasis is now on extending the summer holiday season

It has heen a boom year for the tourist industry of Devon and Cornwall. Helped by the weak pound and exceptional summer weather, many of the region's hotels have unearthed their "no vacancy" signs after a long, slow recovery from recession.

The Wast Country is Britain's most popular holiday region for UK residents; only London attracts more tourists overall. Tourism dominates the region's economy, generating around £1.5hn in revenne in 1993 and employing over 60,000 full-tima equivalent jobs. Yet its dependence on tourism is also a problem. By its nature, the industry tends to offer seasonal, often low-paid, work. Much of its efforts have been devoted to extending the traditional summer season and bringing in affluent visitors on short-breaks or second (or third) holidays in the so-called "shoulder season".

Few in the industry are looking on the dark side at the end of 1995, one of the best years on record. The West Country Tourist Board expects visitors to the south-west of England to top the 17m mark – an increase of around 6 per cent on 1994 – with most going to Devon and Cornwall.

It was the year that many UK residents rediscovered the pleasures of an English seaside holiday. The weak pound pushed many families westwards, and the driest summer on record may encourage a large proportion to forsake the Costas again next year.

Distant childhood memories of long traffic jams, dirty beaches and poor accommodation are among the reasons why tha West Country has fallen out of favour. But road commnnications have improved radically since the days of tha infamous bottlenecks around Exeter and Okehampton. The A30, once a virtual car park on August Saturdays, is now a dual carriageway most of the way to Penzance. InterCity trains travelling at np to 125mph take tourists to all the main resorts.

The beaches, although still pollnted by sewage at a few resorts, have been improved by an investment programme by South West Water, leaving Devon and Cornwall with the highest number of EU bloe flag beaches in Britain. Hoteliers and B&B owners have been encouraged to bring accommodation up to scratch and are rewarded hy a "crown" rating system, while the tourist board holds seminars on how to improve customer service.

The improvement in hotel accommodation has bean matched by the belated realisation that tourists need something to do when the sun is not shining. The provision of high quality indoor attractions, often aided by EU grants, has improved in recent years. The Tate Gallery in St Ives, a spectacular building which virtually spills out onto Porthmeor beach, has proved a huge success since opening in June 1993 and has helped to extend the season in the Cornish holiday resort throughout the year. "Since we opened we have had 475,000 visitors," says Mr Dick Perkins, the gallery co-ordinator. "People come to St Ives for the weekend to look at the gallery, but we also get a lot of foreign visitors."

Plymouth has recently opened the Dome – an exhibition celebrating the city's illustrious past – and the Pavilions, an indoor exhibition centre with swimming pools and ice rink. The high quality St Mellion golf course has been established nearby.

While the elements are in place for a revival of tourism in Devon and Cornwall, the industry believes it could do much better with more help from the government. The level of aid for the promotion of tourism is a long-standing gripe. The WCTB receives £500,000 from the English Tourist Board for its promotional activities, compared with £15.2m for Scotland and £14.2m for Wales. Put another way, the Scottish Tourist Board receives £3.99 in grant aid for each visitor it lures north of the border, the Welsh Tourist Board receives £6.19 while the English Tourist Board gets 26p. To make matters worse, Scots and Welsh tourist operators receive government grants for projects to improve facilities, but these were withdrawn in England in 1988. Mr Nigel Buckler, marketing director of tha WCTB, says: "I can't see the situation changing. There is no tourism or marketing justification for the discrepancy."

Another gripe in Devon and Cornwall is the promotional strategy of the British Tourist Authority – responsible for promoting Britain ahroad – which is criticised for over-emphasis on London. "We are always told there is a shortage of accommodation in London, and people find it dirty and expensive, yet it is sold as a destination to overseas visitors," Mr Buckler says. The BTA explanation is that London is e gateway for foreign visitors, who may venture out of the capital only to Stratford or Oxford. The hope is that they will be more adventurous on their second visit.

Meanwhile, Devon and Cornwall's tourist operators and local authorities have pooled resources for a £250,000 marketing campaign aimed at specific market sectors. Northern Europe, where the fashion is for green tourism, is a target. Traditional family holidays are sold in Ireland. In the domestic market, Mr Buckler talks of "market segmentation".

"There is still a strong market in the middle of England and the south-east for family holidays, mainly among C1s and C2s. When it comes to extending the season we are targeting 'empty nesters' and young career couples hoping to take additional holidays in the spring end autumn."

Only by extending the season can the tourist industry hope to provide job security for a core workforce, which might then have more of a vested interest in ensuring quality of customer service. Low wages in the industry are endemic, and tourism operators will await minimum wage legislation from a possihle Lahour government with trepidation.

Scilly image shatters peace

Some two thousand people live on the Isles of Scilly, the archipelago 40km south-west of Land'a End. It might be assumed that they want nothing more than to be left in peace to enjoy the flowers, the birdlife and the mild climate. But their council has warned them: "The concept that the islands should not change is untenable in reality."

After consulting the residents, the council published this autumn a strategy for "appropriate, sustainabla development". It says: "The unique environment serves to hide many difficulties over infrastructure, affordable bousing, social isolation, agricultural decline and transport".

The economy, the strategy document says, is fragile, with 85 per cent of it based on tourism. It suggests there should be a "clearly identified image" for the isles, and an emphasis on upgrading quality to increase income without expansion.

It proposes more tourism activities outside the peak season and promotion of niche holiday markets such as gardening, photography, painting, ornithology, sailing and diving.

One suggestion is for an island "marque" with an "overall stamp of quality" covering accommodation, facilities and services within and without tha tourist industry. "This quality marque should also encompass all other products and services from the islands including horticulture."

Roland Adburgham

Defence industries: by George Parker

Where peace means lost jobs

Attempts to diversify into civil markets have achieved only mixed success

The south-west of England is more dependent on defence industries than any other region of Britain.

The end of the cold war may have generated a "peace dividend" for the Treasury, but defence cuts brought grave problems to Devon and Cornwall and exacerbated the effects of recession. Defence spending was being cut by the government before the Berlin Wall came down, but the removal of the Soviet threat accelerated the rundown of the region'a defence industries.

It is thought that as many as 40,000 people in the two counties earn their living from defence-related employment, with np to 600 companies involved in the supply of equipment in some way.

Even during the last years of Mrs Margaret Thatcher'a government, decline set in. Between 1985 and 1991 at least 10,000 defence-related jobs were lost in Devoo and Cornwall, while the scale of job losses since has been even more stark.

When the management of Devonport Dockyard was privatised in 1987, the workforce numbered 11,400, but now there are only 3,600 full-time workers at the yard. Defence bases, often the mainstay of local economies, have been run down or closed, with the subsequent knock-on effect on local shops and suppliers. Naval stores at Exeter, Ivybridge and Plymouth are among the latest to have been affected by Defence Ministry cuts.

Defence companies bave adapted to changing military circumstances and have sharpened their competitiveness. However, there has been only mixed success in attempts to diversify into civil markets. The continuing importance of the defence sector to the two counties was illustrated by Devonport's victory in the so-called "battle of the dockyards", when it beat the Rosyth yard in Fife to win the estimated £3bn contract to refit Trident submarines over the next 20 years.

Despite the subsequent haggling between Devonport's managers, DML, and the MoD about the cost of developing the Trident facility, the navy's nuclear submarine fleet is certain to be serviced at the Plymoutb dockyard well into the next century. Scores of local contractors depend on Devonport. DML relies on the ministry for at least 90 per cent of its work, and the decline in the navy's strength has hit the yard badly. The yard has diversified, but managers believe that civil work will never account for mucb more than 20 per cent of its turnover.

In recent years DML has built a flotilla of yachts for the British Steel challenge and has overhauled the diesel engines of the interCity 125 fleet. It has also moved into the luxury yacht refit market, and is thought to have taken up to £20m to refit John Paul Getty's yacht.

Plymoutb's dependence on the military sector is also in evidence on the Southway industrial estate on the fringes of Dartmoor, where British Aerospace Systems and Equipment (Base)employs 930 people. At its peak Base employed around 1,300 people at the site, but has maintained a strong presence in the city by developing sophisticated avionics systems, some of wbicb are being used in the F16 aircraft in the US.

Mr Chris Tear of Base says:

A statue of William III looks over Devonport dockyard

Privatised in 1987, Devonport Dockyard has seen its workforce shrink from 11,400 to 3,600 in eight years

"Traditionally we have been an aerospace supplier and it is not easy to drop everything that is defence-oriented and move on to civil applications. But we do bave technologies whicb can be applied to commercial products." Systems designed for jet fighters are being adapted for use in anti-skid braking systems in cars, while black box flight data recorders are finding use in the civil aviation sector.

The shining example of successful defence diversification is Northern Telecom in Paignton, where tha company is engaged in a £45m investment which will increase its workforce to 2,500. Mr Bob Dow, managing director of the Radio Infrastructure division, said a conscious decision to move out of defence was taken in 1988. STC, acquired by Nortel in 1991, used to make equipment for the army'a military radio aystems and radar. Now the company's business is wholly in the civil sector, with customers including Cable & Wireless and British Telecom. "A lot of people bave tried to divest from the military sector and failed; we tried and succeeded," Mr Dow says.

The problems arising from the decline of defence industries have been recognised by government and Europe. The redrawing of the assisted area map in 1993 has helped towns affected by the military rundown, and DTI grants were vital in securing the Nortel expansion in Paignton. Money has also been forthcoming from Brussels. The Konver programme, designed to aid defence diversification, has put around £750,000 into Devon and Cornwall since 1993, mainly for retraining projects. The "routeways into work" schems in Plymonth was particularly aimed at helping dockyard workers adapt their skills.

A second wave of Konver funding is pending, but Whitehall and Brussels are currently locked in negotiations on where it should be spent. Devon and Cornwall expect a sizeable chunk of the £74m allocated to the UK, which must be committed to programmes before the end of 1997. The final package of Brussels aid comes through the European social fund and regional development fund under the so-called Objective 2 programme, through which the Plymouth area is receiving £22.3m. The money has been spent on training projects, new workshops and the preparation of former military sites for civil use.

Plymonth's urban development corporation is also heavily involved in converting old navy sites on the city's waterfront to new uses. While this practical help is welcomed by Devon and Cornwall's civic and industrial leaders, there is little enthusiasm for Labour's proposed defence diversification agency – excspt in the unlikely circumstances thet it is backed with real financial muscle. Mr Mike Boxall, chief executive of the Westcountry Developmant Corporation, says: "What we are in favour of is defence diversification assistance. I think there should be investment incentives to help companies retool and move into new markets."

Plymouth Development Corporation: by Roland Adburgham

Life after the navy

How a yard on a spectacular waterfront is being regenerated

It is, by common consent, one of the finest groups of 19th century industrial buildings, sited on perhaps the most spectacular waterfront in England.

Called Royal William Yard, on a 19-acre site at the mouth of the river Tamar, the buildings provided victuals for the Royal Navy. Now, the yard is one of three waterfront sites – the others are Mount Batten and Mount Wise – vacated by the Ministry of Defence and which Plymouth Development Corporation has been set up to regenerate.

The corporation has an indicated budget of £40m from the government over its five-year lifespan, and European funding is also being sought. It got off to a slow start in April 1993, not least because of Treasury and Defence Ministry delays. Since then, its priority in attracting investment has been to resolve the difficult road access – the sites were designed to be reached from the sea.

Plans to improve the approach to Royal William Yard, which is reached through twisting residential streets, have been the most contentious issue. The result of a public toquiry is expected early in the new year. Mr David Woodhall, acting chief executive, is confident the scheme will win approval. "The imposition of change doesn't sit comfortably with established communities, but I believe that since the inquiry some of the fears have abated."

Mr Woodhall's appointment is itself a consequence of one of the corporation's difficulties. He was brought in after Mr John Collinson, who had been chief executive, was suspended in July. Mr Collinson then resigned before being dismissed for allegedly using corporation funds for personal expenditure. (He has undertaken to repay the money in question.)

"I was approached to bring stability and ensure the momentum was not lost," says Mr Woodhall, a former chief executive of the Commission for New Towns. "I think there is now a reasonable management structure." A new chief executive will shortly be recruited for the final two years.

> 'The imposition of change doesn't sit comfortably with established communities, but some fears have abated'

Mr Woodhall acknowledges the corporation has not had an easy time. "Initially, there were some areas of concern – not over the need for regeneration but because it was not seen as part of the totality of the [city's] plans for the waterfront.

"In the past few months, that has changed; there are very good relations with council officers and a better climate. It is now much more seen as part of the overall strategy for the waterfront."

The target for the leverage of private investment has not been specified. Mr Woodhall accepts that the initial ambition of creating 2,000 jobs is probably over-optimistic, but he is enthusiastic about the potential. "People say Plymouth is remote, but when they are here, they see the quality and character of ths sites that no other development corporation has got."

At Royal William Yard, where the buildings are listed for their architectural merit, a leisure scheme is intended to be the anchor. Millennium money is being sought as part of the Plymouth 2000 partnership's bid for funding to regenerate the city's entire waterfront. Negotiations for other projects have taken place with London and Easter Properties and Tay Homes.

To reach Mount Batten, a 77-acre peninsula, a £2m road will be completed this year. Housing, marine and leisure use is planned and Mr Woodball says there has been a "very competitive response".

At Mount Wise, an 11-acre site, it is hoped to let the contract soon for an access route. A study centre for urban regeneration has been opened and there are plans for social bousing.

"We have been sowing the seed during the recession and hope to reap a reasonable harvest," says Mr Woodhall. "We anticipate Mount Batten will be substantially occupied and deals in place by time we close [in 1998], and the same with Mount Wise. At Royal William, there will be initial occupation by then and deals for 75 per cent of occupancy."

Mr John Ingham, leader of the city council and the corporation's deputy chairman, comments: "The acting chief executive has achieved so much – he has gone back to working in partnership and there is a much clearer understanding. Things are moving now."

Manufacturing: by Roland Adburgham

A nationwide base

Companies in the south-west can still rely on sales outside the peninsula

If one envisaged a food manufacturing company daily distributing fresh prodncts nationwide, one would hardly expect the enterprise to be based in Cornwall.

Ginsters is exactly that. From its bakeries at Launceston and Callington, its fleet of 140 temperature-controlled vans delivers 2.5m Cornish pasties, sausage rolls and similar products a week, even to Scotland.

The company is in Cornwall for historical, rather than logistical, reasons. Founded by the Ginster family in 1968 to make pasties for tourists, it was taken over 10 years later by Samworth Brothers, a private company. In the past three years, Ginsters has invested £18m in its bakeries to target the bungry markst of "on ths move" customers at convenience stores and service stations.

Today, Ginsters has 1,000 employees, a countrywide network of distribution depots, and a turnover of more than £50m. Mr Peter Castell, Ginster's marketing director, remarks: "The road network has improved significantly in the last decade and we have been able to push out our geographical boundaries."

At the same time, he extols the virtues of a Cornwall base. "The nature and loyalty of our workforce is first-class and we've built up a good relationship with local suppliers."

Cornwall and Devon need more such companies, having lost 14,000 manufacturing jobs during the 1980s. The sector now accounts for only 15 per cent of jobs although, as Devon & Cornwall training and enterprise council emphasises, it remains an important source of wealth creation. The point is reinforced by Mr Alan Knight, partner in Exeter of Hoare Lea, the consulting engineers: "The priority has to be to have more manufacturing, rather than more services. We have the land, skills and environment."

Ginster's experience shows that being in the south-west need not put off manufacturers that need to rely on sales outside the peninsula. This has been recognised by foreign-owned companies, which have established a notable presence in the counties, but relocations by UK companies in the region havs been relatively few – Algram, a plastics mouldings business which moved from Buckinghamshire to Plymouth in 1989, is one example.

However, there are leading UK groups which have local plants such as British Aerospace, with its systems and equipment division, and GEC-Plessey Semicondnctors, which in September last year announced a £100m expansion to quadruple capacity.

Their two factories are in Plymonth whicb, with its defence and engineering tradition, remains the industrial base of the region. Another large group with a significant presence is Siebe, the UK-based engineering group which worldwide employs 35,000. In Plymouth, it has the headquarters of Siebe Controls Europe and the world headquarters of Siebe Fluid Systems.

In all, Siebe has five factories in Devon and three in Cornwall, better known locally by the names of subsidiaries such as Ranco Controls and CompAir. The latter's plant at Camborne in Cornwall, making air compressors, caused one of the county's sharpest shocks 10 years ago, when 500 of the 800 workforce were made redundant only six weeks after Siebe took over the company. At the time, Siebe said the only alternative was to close the factory.

Today, its workforce numbers 400 and, overall, Siebe employs 2,400 people in the two counties. Its operations in the region generated sales in 1994-95 of over £130m, of which nearly half were exports.

Mr John Carney, president of Siebe Controls Europe, appears satisfied. "The quality [of production] is second to none and there is a stable workforce," he says. He quotes a productivity increase of up to 40 per cent per employee over the last four years, helped by a £10m investment in automation.

There are other manufacturers whose reputations extend outside the counties. For example, Dartington Crystal at Torrington, north Devon, was a £10m management buyout last year from BTR; St Ives, the magazine printer has opened a £23m factory near St Austell in Cornwall; and there is Marine Projects, the Plymouth maker of Princess yachts and motor cruisers. The hope in the two counties is that where they have led, others will follow.

Property development: by Roland Adburgham

Recovery is still 'quite patchy'

Prime office space is fetching less than in the late 1980s, but there is renewed interest in out-of-town development

"I guess the market is alive, with pockets of activity which are doing quite well, but it is still struggling in the region as a whole," says Mr Richard May, partner in Exeter with Knight Frank & Rntley, the property consultancy.

Mr Christopher Grimshaw, director of Chesterton's Exeter office, says: "Slowly things are picking up, not so much because of the economy but because at last there is a realisation and an acceptance that this is the market now. People have re-geared themselves to meet this market."

Mr Ralph Collison, a partner with Alder King, consultant surveyors, concurs: "There are some reasonable strategic inquiries but across the market it is quite patchy."

Exeter itself suffered from an overhang of unlet property caused by a buge increase in space during the late 1980s boom, when it was assumed the "trickle-down" effect of the M5 motorway would justify a flood of investment.

The clawback from recession means most prime office space has gone but Mr May comments that £10 a sq ft is as much as can be achieved, a similar level to Plymonth where there has not been the same overhang. This compares with £14 for prime space in the late 1980s.

One sign of an improved market is renewed interest in out-of-town retail and leisure development. A public inquiry opens this month into two scbemes near the Exeter bypass, ons by Wilson Connolly and EBC Group and the other by the city council and Tesco.

Distribntion sites in the south-west are expected to come back into demand and Salmon Harvester Properties is building the speculative Exe distribution park next to junction 29 on the M5. Delays in upgrading this junction dampened interest in the nearby Exeter business park, but the road improvements are expected to proceed shortly.

Another speculative development at Exeter – industrial units built by Midas Construction – is reported by King Sturge, the agent, as finding "a good level of interest".

Plymouth is an unusual market because of the release of military sites and the role of the government's development corporation. Peaston, the Edinburgh-based company, is redeveloping the former naval hospital and engineering college. Tbe imminent transfer of Royal Marines from the city should release more land.

Tha city's shopping centre has been pedestrianised bnt lacks covered malls, principally inhibited by planning difficulties caused by its postwar grid layout.

However, Mr Steve Lobb, director of Chesterton'a Plymouth office, is encouraged by signs that the city council, the freeholder, is taking a more flexible attitude. There are hopes that the Drake'a Circus shopping centre, planned by P&O Properties, will get under way in the foreseeable future.

English Partnerships, the govarnment regeneration agency launched last year, is active in both Devon and Cornwall, with offices in Plymouth and Truro. It sees its role as providing strategic sites and premises by forging partnerships. It is involved in Plymonth waterfront projects and believes Cornwall too, helped by the improved A30 trunk road, is well positioned to become a prime location for manufacturing companies.

One factor ancouraging development is the availability of grants in Cornwall, Torbay, Plymouth and parts of Devon. In north Devon, for example, 330 acres with rural development and assisted area status have been earmarked for development.